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THE RESPONSE OF CENTRAL AMERICA TO
POLITICAL AND ECONOMIC INFLUENCES
FROM THE UNITED STATES

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CHAPTER I

AN INTRODUCTION TO THE STUDY OF THE PROBLEM

Much more vital than the average North American realizes is the political and economic relationship existing between the United States and Latin America. Latin America buys more from the United States than does all of Europe put together--or than Asia, Africa and Oceania combined.¹ In times of international crisis, such as during the two World Wars and throughout the Korean conflict, the nations of Latin America, with very few exceptions, supported the action of the United States of America. The Western Hemisphere is one of the few large areas of the world where a greater than average degree of solidarity has been achieved. Nevertheless, Pan-American relationships have frequently been marred by misunderstandings and difficulties. In recent years these difficulties have not led to major wars, but have had the tendency to create suspicion and lack of mutual confidence.

One section of Latin America that has been especially afflicted by such misunderstandings is Central America. Geographic proximity has more closely linked the nations

¹Richard Nixon, "Meeting the People of Central America," U. S. Department of State Bulletin, XXXII (April 11, 1955), 587.

of this area to the United States than is true of their Latin American neighbors to the south. Economic and political instability has often plagued the region, and upon many occasions the United States felt it necessary to intervene and even exert military force in order to terminate Central American internal disorders. Such interventions have aroused fears of imperialistic motives on the part of this country, and earned for the United States the unflattering appellation of the "Colossus of the North" which would seek to bestride two continents.

Suspensions of imperialism are also strengthened by the fact that the largest commercial organization which operates in Central American is an American concern--the United Fruit Company. So great in wealth and size is the United Fruit Company in that area that it too has been charged with imperialism--an imperialism which would secure it a monopoly in the region and bend governments and people to its will.

I. THE PROBLEM

Statement of the problem. It was the purpose of this study (1) to give a brief analysis of American intervention and its motives, methods, and achievement in Central America; (2) to describe the economic and cultural aspects of American influences as represented in the United Fruit Company, and its methods of operation in Central

America; and (3) to present the local favorable and unfavorable reactions to American foreign policy and economics as seen in Central America.

Importance of the study and its relationship to present day problems. For many years an anti-American sentiment has existed in Central America. This feeling is by no means universal, but it could very easily become much more widespread. The tide of nationalism has constantly been on the rise. Elements of Communistic leanings have fanned the fires of nationalism and have attempted to focus these forces into a campaign directed against the United States and American business organizations in Central America.

A vivid example of this has been the government of Jacobo Arbenz of Guatemala, who utilized the spirit of nationalism to develop an anti-American movement which secured a large following. Not until its overthrow did the general population learn that this government was Communist-controlled. The purpose of this study has been to give a survey of American relations with Central America in order to see why and how these prejudice-producing problems have developed.

The survey has included the significant political and diplomatic episodes that have a relationship to the

subject from the time of the proclamation of the Monroe Doctrine, in 1823, until the present time. The background, history and progress of the United Fruit Company has been traced from the year 1871 until the present. The reaction to the above developments have been evaluated and the study has been terminated with the author's conclusions and recommendations for the possible improvement of existing relations.

II. DEFINITIONS OF TERMS USED

Central America. Central America is generally defined as the republics of Guatemala, Honduras, Salvador, Nicaragua, and Costa Rica. In a strictly geographical sense, Panama must also be included, for she is now an independent member of the Isthmian community. Belize, or British Honduras, lies in the same geographical locality. However, Panama and Belize have not been included in this study. As a separate nation Panama is relatively new, and much of the common history of the five nations listed above does not directly concern her. Moreover, her relationship to the United States is in many ways quite unique. Belize was omitted from consideration because of its status as a British crown colony.

The residents of Guatemala, Honduras, Salvador, Nicaragua, and Costa Rica consider themselves to be much

more than near neighbors. These five states secured their independence from Spain as a single united nation, without having to fight a war that involved the loss of life and property. But when Francisco Morazan completed his term as the first president of the Central American Federation in 1838, the federation disintegrated and the five states went their separate, independent ways.¹ Even so, Honduras commemorates this common origin by having five stars on her national flag--one star for each of the Central American nations of the original federation.

Middle America. This study has employed the term Middle America in referring to the general Caribbean area in which the United Fruit Company has its operations. The United Fruit Company uses this term in referring to the territory of its sphere of influence. Middle America describes the section extending from Mexico to the northern coast of South America and including the island republics of the Caribbean.

North Americans. The author has used frequently the term North Americans as distinguished from Latin Americans or Central Americans. The people of Latin America consider

¹David R. Moore, The History of Latin America (New York: Prentice-Hall, 1941), p. 732.

themselves to be also "Americans," which of course they are. Residents of the United States are customarily designated as norteamericanos by the Latin Americans. Obviously, this term also is not completely exact, for it would include Canadians, but it reduces repetitions and may add to clarity. Where it was felt that confusion was unlikely, the term Americans has been used to describe the residents of the United States, on the assumption that this usage is familiar to most readers.

The United Fruit Company. Many persons are of the opinion that the United Fruit Company is a united organization of many independent companies that deal in various types of tropical fruits. This is a false impression. The United Fruit Company is a single large corporation that has its headquarters in Boston, Massachusetts. It has subsidiaries in the form of railroads, steamship lines, and other types of communications, but it is to be considered as only one organization. The only tropical fruit that is handled by the United Fruit Company is the banana. This organization has been designated in this study by its full name as given above and also (to lessen redundancy) as United Fruit, United, and the Company. All of these terms are common in Central America and mean one and the same thing.

III. METHODOLOGY

In his recent years as a resident in Central America, the author was able to observe many of the actual situations and conditions described in this study. While this project was under way, a trip was made to Honduras and interviews were obtained with fifteen residents of that country concerning the problems of the study. Three other Central Americans were interviewed in the United States. Those questioned were a senator, a clergyman, a shoemaker, a university student, a farmer, and others representing a variety of occupations and different levels in society. The results of these interviews are included in this study as a part of the primary sources that were utilized. The personal opinion of the author, which has resulted from a direct contact with the Central Americans, has been the partial basis for some of the conclusions and recommendations that have been formed.

The United Fruit Company provided an abundance of informative material that proved of great assistance in the writer's attempt to give an objective appraisal of the role of that company in Central America.

Secondary sources were heavily relied upon in the preparation of the section involving political and diplomatic history, and to a lesser extent in the section on

the United Fruit Company. Many quotations from periodical literature, including citations from Central American newspapers, were used in the latter portion of the thesis. An attempt was made to secure several back issues of Central American newspapers that were published during days of political crisis and criticism. However, due to a changed political policy, the editors of these newspapers are not permitting their past criticisms to be circulated. The radical quotations cited were obtained by the author as he was permitted to spend a few minutes among the newspapers of the Honduran Government files.

CHAPTER II

A BRIEF HISTORICAL ANALYSIS OF THE POLITICAL RELATIONSHIP BETWEEN THE UNITED STATES AND CENTRAL AMERICA

There is a historical basis for the suspicion and even fear with which many Latin Americans regard the United States. In their thinking the Monroe Doctrine was designed not so much to keep Europeans out, but to give North Americans a free hand in Western Hemisphere exploitation. They point to the United States' expansion into the Latin area as a ground for their fear.

At no point did continental United States border on the Gulf of Mexico in 1800. In 1803, the United States acquired the area of the Louisiana Purchase. Then the Floridas were added. Texas was annexed and by mid-century the United States' territory included all the West from the present Mexican border to Oregon--and the expansion was made into areas that had once been the properties of Spanish speaking nations.¹

I. EARLY DIPLOMATIC RELATIONS WITH CENTRAL AMERICA

¹David R. Moore, The History of Latin America (New York: Prentice-Hall, 1941), p. 732.

History seems to indicate that the United States had very little interest in Central America previous to the California gold rush in 1848. In 1822, when it appeared that portions of Central America were to be annexed by Iturbide's Mexican Empire, the congress of the little province of Salvadore voted to incorporate with the United States. Salvador looked to the United States "as the head of the great republican family." The authorities in Washington gave no attention to the pleas. Obviously, American interest in Central America was virtually non-existent.¹

Previous to the fall of the Spanish Empire in Central America, England's territory was confined to Belize on the eastern shore of the Yucatan Peninsula. However, when the Central American nations secured their independence, England assumed control of an area that almost doubled her Central American territory.

By treaties with Spain, England had agreed to confine her Central American colonization to an area between the Sibien and Hondo Rivers. Yet, by 1836 British settlers were to be found as far south as the Sarstoon River. In 1840, the law of England was declared to reign in "the colony or settlement of British Honduras." The Monroe

¹Mary Wilhelmine Williams, The People and Politics of Latin America (New York: Ginn and Company, 1938), p. 317.

Doctrine of 1823 clearly stated that the New World was no longer open for European colonization, so the new republic of Guatemala appealed to the United States for assistance, but none was forthcoming. The Central American Federation vigorously protested, but the objections were ignored by England. Here existed a clear case of European colonization in the New World, yet the United States as well as England acted as if the Monroe Doctrine did not exist. In 1838, England again expanded her Central American territory and took control of the Honduran island of Ruatan. Despite its advocacy of the Monroe Doctrine, the United States did not complain.¹

A study of these violations of the principles of the Monroe Doctrine emphasizes the comparative indifference of the United States to Central America.

There was no application of the principles of President Monroe to the states of Central America until the new territorial title on the Pacific Coast made so imperative the strategical significance of the Isthmus.²

As the war between the United States and Mexico was coming to a close, Great Britain knew that the United States

¹Samuel Flagg Bemis, The Latin American Policy of the United States (New York: Harcourt, Brace and Company, 1943), pp. 102-103.

²Ibid., p. 99.

would soon have much more territory on the Pacific Coast and that a canal across the Central American Isthmus would be highly desirable. If the United States were permitted to construct a Central American canal, then the American position would become even stronger in the New World. At that time the Nicaraguan area seemed to be the most desirable location for a transcontinental canal. It was believed that due to the strategic location of Nicaraguan lakes and rivers much less excavation would be required than further to the south in Panama. Consequently, on January 1, 1848, England took possession of the Mosquito Coast. This area included a portion of Honduras and all of the eastern coast of Nicaragua.

Nicaragua immediately protested and asked the United States for assistance. She even asked admission into the American Union for herself as well as for Salvador and Honduras. Once again the United States showed no desire to obtain Central American territory, but she did come to Nicaragua's aid.

The Mosquito Coast extended over the entire territory of Nicaragua that faced upon the Atlantic Ocean, and the United States was determined that England was not going to monopolize a canal route across Nicaragua by her claims to the disputed region. In the United States popular opinion demanded that England relinquish her claims, but England

was just as determined to hold "her" territory. For a time war seemed likely between these two English speaking powers.¹

A settlement was made in the Clayton-Bulwer Treaty and thus the United States and England were able to avert a war. Among other provisions, the treaty stated that both nations would never obtain or maintain exclusive control over the proposed Nicaraguan canal, and that neither nation would erect fortifications, control the canal exclusively, nor occupy, colonize, or exercise dominion over any part of Central America.²

Clayton, the American Secretary of State at the time, had hoped to force the British from the Mosquito Coast with the Clayton-Bulwer Treaty. Not only did England remain, but she declared these bits of territory a crown colony in 1852. It appeared that she was there to stay.

The United States denounced this policy as "colony snatching," and an infraction of the Clayton-Bulwer Treaty. It was also declared by the United States to be a violation of the Monroe Doctrine. British public opinion favored a settlement if one could be made honorably. Nothing was done

¹Williams, op. cit., p. 426.

²Treaties Concluded by the United States of America with Foreign Nations and Indian Tribes (United States Statutes at Large (Boston: Little, Brown and Company, 1850), Vol. IX, pp. 174-77.

until 1859. In that year, Britain signed a pact with Honduras in which she recognized the sovereignty of Honduras in the Bay Islands. A few months later, by a treaty with Nicaragua, England gave up all her claims to the Mosquito area. President Buchanan proclaimed this settlement a great diplomatic victory for the United States.¹

These treaties perhaps may represent the first diplomatic victory, and that a modest one, that the United States attained under the principles which were declared in the Monroe Doctrine.²

One might logically suppose that the prestige of the United States was increased in Central America as a result of her aid to Nicaragua. A feeling of gratitude was not to be found, however, as Guatemala and Costa Rica for some time had been pro-British. An unfriendly government had gained control in Salvador in 1853, and about the same time the Nicaraguan government became anti-American. As long as England controlled the Bay Islands, Honduras alone among the Central American nations favored the North American position in the controversy with Britain. No doubt she was

¹Thomas A. Bailey, A Diplomatic History of the American People (New York: Appleton-Century Crofts, Inc., 1950), pp. 295-302.

²Dexter Perkins, Hands Off (Boston: Little, Brown and Company, 1941), pp. 101-102.

pro-American because she retained her hope that the United States would help her secure control of the Bay Islands once again. She did not hope in vain.¹

One of the major factors for this anti-American attitude in Central America was the fact that the United States was still looked upon with suspicion as a result of the Mexican War. A bullying policy toward Mexico was still very evident and the United States was considered the "Colossus of the North."

One must remember that a generation prior to the above decade, the United States appeared somewhat indifferent to Central America. In the intervening period, Texas was annexed from Mexico and the United States had extended her frontier to the Pacific Ocean. Had not Central America become a place of strategic importance because of the discovery of gold in California? Were not a considerable volume of trade, and hundreds of North Americans, now crossing the Isthmus on their way to the Pacific Coast? Could not the Central Americans have been thinking that their area was perhaps next in line for annexation? During this very same decade, other events added to Central American suspicion of the United States.

¹Ibid., p. 104.

II. THE SPIRIT OF MANIFEST DESTINY IN CENTRAL AMERICA

Within only three years, Texas, Oregon, and the Mexican cession became a part of the United States, and a million square miles were added to its territory. North American land hunger should have been satiated, but such was not the case. The New York Herald boldly declared,

National glory--national greatness--the spread of political liberty on the continent, must be the thought and action by day, and throbbing dream by night, of the whole American people or they will sink into oblivion.¹

A later writer noted,

These were the days when Manifest Destiny was a dynamic force, when it was widely believed that America's multiplying millions were manifestly destined to spread their republican institution, though not necessarily by force, over at least the whole continent. These were the days when the men talked of the 'universal Yankee nation' and 'an ocean-bound republic'; when the eagle was made to scream and the buffalo to bellow.²

In Nicaragua in 1854, a civil war broke out between the Conservatives and the Liberals. The Conservatives seemed about to win, for they had active support from Guatemala. It was not at all unusual for a political party to receive assistance from another Central American nation, during times of internal strife, but it was strange indeed when the Liberals sought aid from a private citizen of the

¹Bailey, op. cit., p. 281. ²Ibid., p. 234.

United States. The Liberals appealed to William Walker, who had filibustered in Mexico, and he quickly responded to their call. Within a few months, with the assistance of his group of American companions, he was the nation's Chief of State. It became apparent that Walker was there to further personal interests rather than those of Nicaragua. Perhaps his original idea was to secure control of Nicaragua so that it could be annexed to the American Union for the purpose of strengthening the hold of slavery. The Democrats, who were strong in the South, in their political platform of 1856 put themselves on record as approving Walker's efforts to "regenerate" Nicaragua.¹

It is significant that the United States made very feeble efforts to halt the outfitting of Walker's men in its own ports, despite the American anti-filibustering laws. President Pierce even accepted Walker's minister to Washington as being a legal representative of a de facto government.² The President and the Department of State were not unfriendly as long as Walker had prospect for success.³

¹Ibid., p. 294.

²Graham H. Stewart, Latin America and the United States (New York: D. Appleton-Century Company, 1943), p. 327.

³Dana G. Munro, The Five Republics of Central America (New York: Oxford University Press, 1918), p. 83.

When Walker returned to the United States after having been driven from Nicaragua in 1857, he was greeted as a hero in New Orleans. That he had invaded a foreign country with American men and taken over the government at the cost of much life and property seemed to matter little to him or to his admirers.¹

Walker made three attempts to establish himself as a political leader in Central America. Each attempt ended in defeat. His first defeat was suffered at the hands of an army made up of representatives from all over Central America whose land had been invaded "by the pirates who sailed from the coasts of the United States." Walker, after being beaten in battle, was permitted to surrender to the captain of an American warship. The ship returned him to the United States. This time he was severely censured for violating the sovereignty of Nicaragua. President Buchanan was clear in stating that he felt that a crime had been committed. Walker nevertheless developed plans for another expedition to Nicaragua. On November 10, 1857, Walker was officially charged with violating the neutrality act of the United States. He was given his liberty only after having to post a bond. The very same night he sailed for Central

¹Anne Merriman Peck, The Pageant of Middle American History (New York: Longman's Green, and Company, 1947), p. 319.

America with three hundred men, and within a few days he invaded Nicaragua at Greytown. Before he could consolidate his position, he was taken into custody by the United States naval force that had observed his landing. Once again he was returned to the United States.¹

Walker again was found in Central America in 1860. This time he was supposedly trying to assist some residents of one of the Honduran Bay Islands who did not want to become subjects of Honduras. He was captured near Trujillo, Honduras, by British naval officers. They turned him over to the Honduran authorities and he was promptly executed September 12, 1860, by a Honduran firing squad.²

It is significant that Walker's government was overthrown in 1856 by five armies. Each of the five Central American nations had an army in Nicaragua. It was very evident that Central Americans wanted the Yankee imperialist driven out.

It was not at all difficult for the Central Americans to feel that Walker's activities were unsuccessful attempts at Yankee expansion under the theory of Manifest Destiny. Walker and his men left behind, not only a multitude of light-skinned children, but a mounting distaste for the

¹Lawrence Greene, The Filibuster (Indianapolis: The Bobbs-Merrill Company, 1937), pp. 229-327.

²Ibid.

United States.

The filibustering expedition of William Walker, his seizure of the government of Nicaragua, the tolerance and finally the recognition accorded him by President Pierce and his advisers, all seemed to show that unscrupulousness and covetousness had more to do with American foreign policy than anything else.¹

Even though some elements in the United States championed Walker's efforts in Central America, it must be remembered that the United States Government did frown upon his later activities and used both legal and military measures in attempts to deter him. Nevertheless, Central American apprehension of the United States was increasing at this time.

There was an American controlled transportation system across Nicaragua, and a canal might be built by Americans across Panama. The British who opposed slavery were being driven out of Central America, and this was due more to American than to Central American influence. As long as slaveholders were dominant in the United States, the Latin Americans could not feel free from worry, for they knew that the slaveholders of the Southern States were anxious for more soil over which to extend slavery. In 1862 Costa Rica expressed fears of this kind in a letter to Columbia stating that no nation could be 'more useful and favorable' than the United States if only the said United States would solemnly agree to respect the independence and integrity of Latin American states, would not annex their land, and would not permit filibustering expeditions to be sent against them.²

¹Perkins, op. cit., p. 104.

²Moore, op. cit., p. 737.

Even though Walker's expeditions were not sponsored by the United States Government, Latin Americans could not readily forget that he was the citizen of a nation which had grown tremendously through expansion during the preceding fifteen years.

III. AN INCREASING YANKEE INTEREST IN CENTRAL AMERICA

Throughout the last four or five decades of the nineteenth century the United States strove to improve her relations with the Central American republics. Under President Lincoln, Secretary of State Seward was determined to follow a policy of friendly relations and to gain, if possible, Central American good will.

In Seward's instructions to his minister to Nicaragua, he declared, "Let unpleasant memories of the past be buried and let Nicaragua be encouraged to rely on the sympathy and support of the United States if she shall at any time come to need them." In 1867, Nicaragua had occasion to remember the promise of the United States, for she asked the American Government to secure a satisfactory solution for Nicaragua in regard to her 1860 treaty with England and the Mosquito territory. The United States representative to London received the assurance that England in no way desired to embarrass Nicaragua, and was further informed that the Nicaraguan minister had been given satisfactory evidence

of the justice of the British position.¹

Two other Secretaries of State, namely Secretary Blaine and Secretary Fish, attempted to assist Central America in a different way. Under the leadership of these men the United States laid great stress upon her desire that political unification be achieved among the Central American republics. The United States realized that political unification of the Central American states would result in stronger and more stable government. With a strong centralized government, the area would not be as vulnerable to European influence, and with more stable conditions in Central America, the United States could develop more profitable trade relations which would benefit American business.

Central America after its liberation from Spain had existed for a short time as a political federation, but the union quickly disintegrated after the death of its first president, Francisco Morazan. In 1842, 1849, and in 1852, other similar attempts at unification were made, but no lasting results were obtained.² Spanish individualism is perhaps the major factor that has prevented a permanent federation.

¹Stewart, op. cit., pp. 330, 331.

²Munro, op. cit., pp. 164-184.

Secretary Fish encouraged unification in 1872 and again in 1874, but any pacts signed were quickly broken. Secretary Blaine in writing to the American minister in Guatemala said in 1881,

There is nothing this government more earnestly desires than the prosperity of these states, and our experience has taught us that nothing will so surely develop and guarantee such prosperity as their association with one common government.¹

Further attempts for political union were made by the Central American states in 1885, 1887, and the final one for that century in 1895. Despite the open encouragement from the United States throughout these negotiations, the century closed with the five republics as far apart as ever from the proposed consolidation.

Not only was the United States interested in unification and stability in Central America for political and economic reasons, but the cooperation of these little nations was necessary if the United States was to develop a transportation system across the isthmus. As early as 1864 the United States signed a treaty with Honduras in which the former nation was given the right to construct an inter-ocean railroad through the country. The privilege conferred by this agreement has never yet been utilized. In return for a guarantee of the neutrality of Nicaragua,

¹Stewart, op. cit., p. 332.

the United States in 1867 obtained the free use of the Isthmus of Nicaragua for the passage of troops. In 1884, the United States and Nicaragua negotiated a treaty whereby the United States could build a canal across the isthmus that would be entirely under American control. This treaty, however, was never ratified by the American government.¹

During this latter half of the nineteenth century Secretary Blaine, perhaps more than any other American, attempted to improve United States' relations with Latin America. His interest was paternalistic as well as economic.

Blaine had a deep interest in Latin America. His ideal was to persuade the neighboring republics to accept a kind of 'elder sister' relationship. Fundamentally, however, his policy seems to have been influenced by economic rather than altruistic motives. As a 'big business' Republican, Blaine was grieved to note that his country's adverse balance of trade with Latin America amounted to something over \$100,000,000. This high disparity was largely due to the fact that the southern republics, though sending enormous quantities of raw materials to the United States, bought the great bulk of their manufactured goods from Europe. Blaine's idea was to dislodge competitors of the United States by forming closer commercial ties with Latin America. And since profitable economic relationships could not exist amid the clash of arms, the United States would use its good office to terminate wars in Latin America.²

As a result of Blaine's ideas, he tried to become the arbiter of Latin American disputes. In this respect his

¹A. Curtis Wilgus, The Development of Hispanic America (New York: Rinehart and Company, 1941), p. 713.

²Bailey, op. cit., p. 435.

services were not always appreciated or accepted. In 1882, Mexico and Guatemala got into a boundary dispute. Guatemala appealed to the United States as the "natural protector of the Central American territory," and consequently Blaine offered to arbitrate.¹ In so doing, he expressed sympathy for Guatemala as the underdog. Mexico at first politely refused Blaine's arbitration and then indignantly rejected the proposal. He was unable to help Guatemala and obtained the ill-will of Mexico.²

Costa Rica and Columbia arranged in 1881 to present a boundary quarrel before European arbitrators, but when Blaine learned of it, he was openly quite irritated because the United States had not been consulted in this dispute. The basis for Blaine's displeasure was in the fact that the United States, in 1846, by means of a treaty with Columbia (then called New Granada), had agreed to guarantee the sovereignty of Columbia over the province of Panama.³ The border between Panama and Costa Rica was the problem that was presented for arbitration. Blaine's ideas are here expressed in part and the reaction indicated that was created in the two nations involved:

¹Wilgus, op. cit., p. 713.

²Bailey, op. cit., p. 435.

³David Saville Muzzey, James G. Blaine (New York: Dodd, Mead and Company, 1934), pp. 197-98.

Our opinion should have been consulted, he contended, both as to the nature of the arbitration and the choice of the arbiters; and he warned both the countries that the United States would not 'hold itself bound, where its right, obligations or interests may be concerned, by the decision of any arbitrator in whose appointment it has not been consulted and in whose selection it has not concurred.'

Costa Rica resented Blaine's action as an 'insult,' declaring that she had not only not been a party to the Treaty of 1846 but had not even been notified of it, and contending that the United States, on account of its obvious interest in the region under dispute, would not be a proper or impartial arbitrator. Columbia, too, though less vehement in protest, was no better satisfied with Blaine's course. Fearing that the protection offered by the United States was turning into tutelage and dictation, she had herself proposed admitting European powers to a share in the guarantee of the isthmus.¹

Blaine was very anxious to call a conference that would include all of the American republics. The Latin nations of America had had conferences, but not all nations had been represented. Plans for a complete Pan American conference had been made as early as 1880, but the meeting had not been held. On October 2, 1889, at the invitation of Secretary Blaine, eighteen of the twenty-one American republics met in Washington, and the sessions continued until April 19, 1890.

The leading American motives behind this call, as the program later demonstrated, were the increase of commerce, the profitable placing of capital, and the

¹Ibid., pp. 209-10.

maintenance of peace, without which investments would be neither safe nor remunerative. Latin Americans, on their side, were more interested in their own security and political independence than in any purely economic gains.¹

As a result of this conference, the Pan American Union was established, and this first gathering served as the entering wedge for succeeding conferences. Two major decisions were made: (1) that arbitration be established as the method for settling international disputes, and (2) that there be created an International Union of the American Republics for the preparation and distribution of commercial information. Needless to say, these two principles were favored and fostered by Blaine.²

Any good will that the United States received as a result of her benevolent gestures during the Pan American Conference suffered a set back when American troops were landed in Nicaragua in 1894. The Indians of the Mosquito Coast were becoming very restless, and when Nicaragua proclaimed her absolute authority over them they appealed to England, who had been their former protector. Nicaragua invaded the area. England, declaring that she was not violating the Clayton-Bulwer treaty, landed troops at Bluefields. To restore order, and to protect American

¹Moore, op. cit., pp. 737-738.

²Ibid., pp. 738-739.

interests, United States Marines were also landed at Bluefields. An armed conflict was averted. England and Nicaragua signed a convention by which the Indians were placed under the exclusive control of Nicaragua. As soon as the treaty was signed all foreign troops were withdrawn.¹

From the United States' viewpoint, we had done Nicaragua a favor, but to Nicaragua it was an open insinuation that she was not capable of dealing with the situation as an independent, sovereign nation and that therefore we considered the presence of American marines was not only advisable but necessary. For the first time Yankee marines landed in Central America. It was a foretaste of many similar events that were to develop in the next century.

IV. THE ROOSEVELT COROLLARY AND THE "BIG STICK"

The war with Spain made the United States dominant in the Caribbean area and gave her colonies in the Pacific as well. Possessions in both oceans made an Isthmian canal imperative. With a definite revival of Manifest Destiny among the North Americans, Central Americans could easily realize that the narrow mid-American isthmus was going to

¹Wilgus, op. cit., p. 800.

be much more important in the eyes of their big neighbor to the north.

In the United States many were eager to draw up plans for the immediate construction of a canal across Central America. In January, 1900, a bill was introduced in Congress that provided for the construction of a canal in Nicaragua. Of course this was done in direct defiance of the Clayton-Bulwer Treaty, but many Senators were openly declaring "dishonor be damned."¹

England at the time was involved in the Boer War and desperately needed American friendship, so she was persuaded to make concessions. The document that was first drawn up by Secretary John Hay and Lord Pauncefote, England's ambassador in Washington (January 5, 1900), provided that the United States could construct a Central American canal, but it must not be fortified under any circumstances.

The non-fortification clause of the first Hay-Pauncefote Treaty became so unpopular that Secretary Hay had to seek a completely new agreement. The second Hay-Pauncefote Treaty (November 18, 1901), was a complete cancellation of the Clayton-Bulwer Treaty. The United States was given permission to construct, maintain, and

¹Bailey, op. cit., p. 533.

fortify the proposed canal.¹

It is not the purpose of this thesis to give a detailed account of the negotiations that brought about the construction of the canal in Panama, but one must remember that a tremendous amount of consideration was given to the proposed Nicaraguan route. Nicaragua, at first, was considered to be the best location for the canal. By using a Nicaraguan canal, a boat would travel a shorter distance between the two coasts of the United States than it would by going through Panama.

From a diplomatic standpoint, Nicaragua was an independent nation and the United States could deal with her on a direct basis, whereas Panama was under the control of Columbia, and the latter was not sympathetic to a North American canal in her territory. Congress was so convinced that the Nicaraguan site was the preferred location that the Spooner Act was passed in June, 1902. This act suggested that the canal be constructed in Nicaragua unless the French New Panama Company could be induced to sell the work it had done on a Panama Canal at a price that would undercut the Nicaragua cost. Had it not been for the powerful lobbying that was conducted by representatives of the French New Panama Company, and the eventual reduction of their price from \$109,141,400 to \$40,000,000, the canal might have been constructed in Nicaragua. Also one must remember the

¹Ibid., pp. 533, 534.

influence exerted by President Roosevelt, who at first wanted a Nicaraguan canal, but later switched to favor a Panamanian canal.¹

Even though the canal was not located in the section of Central America that is discussed in this thesis, these events had a number of direct major influences. When England signed the second Hay-Pauncefote Treaty, which superseded the Clayton-Bulwer Treaty, England was giving to the United States a free hand in Central America. The United States' foothold in the Caribbean became ever more secure. In Central America the local anti-American sentiment had reason for increased alarm.

To the Central Americans it was an open and evident fact that the acquisition of the Panama Canal site was the result of American intrigue. They felt that the Panamanian Revolution was Yankee-inspired and supported. This was evident by Theodore Roosevelt's blunt but revealing statement, "I took the Canal Zone and let congress debate and while the debate goes on the canal does also."² The questionable methods used by the United States and its long time refusal to make an apology or even offer an indemnity to Columbia, increased the charges of imperialism leveled at the North American nation.

¹Bemis, op. cit., pp. 148-49.

²New York Times, March 24, 1911, as cited by Henry F. Pringle, Theodore Roosevelt (New York: Harcourt, Brace and Company, 1931), p. 330.

The highhanded, aggressive spirit of the President and government in the whole affair laid the foundation for years of fear and resentment in Latin America. All her sister nations sympathized with injured Columbia.¹

Columbians persistently refused to accept Roosevelt's view of the case, and for nearly twenty years sued for an apology and an indemnity. What was worse, much anxiety and ill-feeling was generated elsewhere in Latin America against the high-handed action of this all-powerful northern neighbor.²

With the aquisition of the Canal Zone, Central America was bound to be more within the realm of North American influence. The Canal Zone was to be fortified and occupied with American troops, and the proximity of these forces was to add more weight to the opinion of Uncle Sam in the Caribbean area.

Theodore Roosevelt confused the Latin American policy of the United States even more by his theory that came to be called the "Roosevelt Corollary" to the Monroe Doctrine. This "big-stick" policy was proclaimed in his annual message of 1904 as follows:

Any country whose people conduct themselves well can count upon our hearty friendship. If a nation shows that it knows how to act with reasonable efficiency and decency in social and political matters, if it keeps order and pays its obligations, it need not fear interference from the United States. Chronic wrong-doing, or an impotence which results

¹Ann Merriman Peck, op. cit., p. 344.

²Moore, op. cit., p. 457.

in general loosening of the ties of civilized society, may in America as elsewhere, ultimately require intervention by some civilized nation, and in the western hemisphere the adherence of the United States to the Monroe Doctrine may force the United States, however reluctantly, in flagrant cases of such wrong-doing or impotence, to the exercise of an international police power.¹

President Roosevelt was in many respects justified in his statement. In the light of historical evidence, the "Roosevelt Corollary" did preserve the peace in Latin America and it prevented European armed intervention. However, Roosevelt's statement had a resounding effect in Latin America. In The Pageant of Middle American History, Ann Peck gives us an incisive picture of the reaction at that time:

The Colossus of the North was astride Latin America and Theodore Roosevelt was the manifestation of its spirit. Roosevelt of the Big Stick was the man who initiated the theory that it was the moral responsibility and duty of the United States to keep the Latin American countries in order, particularly Mexico and Central America, the nearest neighbors. This new interpretation of the Monroe Doctrine made the document hated in Latin America. What price safety from European powers if they were to be dominated and perhaps absorbed by the Colossus of the North? Ruben Dorio, famous Latin American poet, expressed their feeling when he chanted, 'Roosevelt, thou foe of Free America!'²

¹James D. Richardson, A Compilation of the Messages and Papers of the Presidents (Washington: Bureau of National Literature and Art, 1908), X, p. 831.

²Peck, op. cit., p. 344.

During the next twenty-five years, the United States frequently used the "big stick" and the Roosevelt Corollary as a basis for intervention in Central America as well as in other sectors of Latin America.

However, Roosevelt did not apply the "big stick" immediately in Central America. Secretary of State Elihu Root persuaded the President to use American influence to reunite the troubled Central American countries. As a result of Root's suggestion, President Roosevelt and President Porfirio Diaz of Mexico, in 1906, offered their good offices in a war that existed between Guatemala, Salvador, and Honduras. The resulting arbitration took place on board the United States' cruiser Marblehead and peace was signed.¹

To further the interests of peace, another conference was called in September, 1906 at San Jose, Costa Rica. All the Central American nations were represented at this meeting except Nicaragua. Nicaragua would not recognize the right of the United States to interfere in Central American affairs. The conference decided that future disputes would be settled by arbitration in the Central American Court of Justice that was to be set up.²

¹Bemis, op. cit., p. 160.

²Wilgus, op. cit., p. 714.

During the remainder of 1906 and throughout most of 1907 disorders continued with Honduras and Nicaragua as the chief offenders. More than once the United States, backed by Mexico, was called upon to bring about arbitration to avert hostilities, but few agreements were ever carried out. By the middle of 1907, Guatemala, Nicaragua, Honduras, and Salvador were all preparing for a general war. As a result of the direct intervention of President Roosevelt and President Diaz, the states of Central America agreed to meet at a general peace conference in Washington.¹

The delegates from the five nations met in Washington on November 14, 1907. Following the lead of Salvador, each nation declared that it had no claims or grievance against its neighbors and was willing to establish a closer union. The meeting almost broke up when Nicaragua proposed a complete Central American Federation. It seemed evident that the Central American leaders were wanting more peaceful relations between their countries, but did not favor a closely knit federation, for this would infringe upon their feeling of local independence. However, harmony soon was restored and by December 20, eight conventions were signed and it was believed that many of the causes for war and revolution had been removed. The two major

¹Ibid., p. 714.

agreements were that a Central American Court of Justice was to be established for the compulsory arbitration of international disputes, and Honduras was neutralized so that the neighbors to the north and south of her could not make war against each other.¹

The Central American Court of Justice proved a weak, ineffective organization. This was true largely to the fact that the member states refused to abide by its decisions when their interests were affected, and the Court lacked power to enforce its decisions. The United States, which had helped to bring it into existence, by direct interference brought about the eventual downfall of the Court.

Shortly after the establishment of the Central American Court of Justice, Jose Santos Zelaya of Nicaragua upset the applecart. He had been an international troublemaker, and had the desire to unite Central America under his control. His general attitude is admirably summed up in a statement attributed to him, "I ridicule the United States, laugh at Germany, spit on England."² He was ruling Nicaragua with an iron hand when a revolution broke out against him in 1909. In the fighting that followed two

¹Munro., 210.

²Bailey, op. cit., p. 583.

Americans that were serving with the insurgents were captured and immediately executed.

Secretary Knox recalled the American representative and denounced Zelaya as a "blot on the history" of Nicaragua.¹ The same occasion was used by President Taft to dismiss Zelaya's representative in Washington, and to also land marines at Bluefields to protect foreign nationals and property. In defense of this action, Secretary Knox stated "that the revolution represented the ideals and will of a majority of the Nicaraguan people more truthfully than the government of President Zelaya."²

As a result of both internal and external pressure, Zelaya was forced to present his resignation to the Nicaraguan assembly and left the country. The assembly accepted the resignation, and seemed to be glad to be rid of him, but they protested formally against American intervention in Nicaraguan affairs.³

Zelaya's national assembly appointed Dr. Jose Madriz as its president. However, the United States would not grant recognition to a president that had been associated with the Zelaya government. The Conservatives continued

¹Williams, op. cit., pp. 438, 439.

²Bemis, op. cit., p. 162.

³Williams, op. cit., p. 439.

with the original uprising that had resulted in Zelaya's resignation. The forces of the Liberals, the former Zelaya government, were quite successful in their military engagements until the presence of American marines and warships prevented them from achieving important military victories. Turmoil reigned as the Liberals under Madriz struggled to retain control.¹

The Liberal government, not being permitted to fight as it desired, fell on August 20, 1910, and the Conservatives under General Jose Estrada entered Managua. Liberal leaders as they left town shouted in the streets, "Death to the Yankees." During those days a heavy guard was placed at the American Legation. General Estrada announced that his brother Juan Estrada had been appointed as the Provisional President and that free elections would soon be held. The new leader, even before he reached the capital cabled the Secretary of State assuring the American people of the "warm regard entertained for them by the victorious party of the revolution."² This was just what Secretary Knox wanted. In keeping with the Roosevelt Corollary, once again the "big stick" had been used in Central America.

¹Harold Norman Denny, Dollars for Bullets (New York: The Dial Press, 1929), pp. 84-90.

²Ibid., pp. 90, 91.

V. DOLLAR DIPLOMACY

Since the United States had declared itself the arbiter in the Caribbean area, England stated that the American Government should take the responsibility of seeing that these small nations pay their just debts to European powers. If these debts were not adequately cared for, stated England, then the peace of the region would be in danger. During the Administration of President Taft, and under the direction of Secretary of State Knox, the debts of some delinquent countries were arranged so that they could be paid off by loans from American bankers in order that the danger of European intervention would be removed. These loans were secured and paid off by the customs receipts of the debtor nations. Companies of American marines were stationed in these countries to maintain order and to back up the American administration of finances. The governments were thus controlled by American political and financial power that was supported by armed force. This was "Dollar Diplomacy."¹

Secretary Knox stated in a speech before the New York State Bar Association:

The logic of political geography and of strategy, and now our tremendous national interest created by

¹Peck, op. cit., p. 383.

the Panama Canal, make the safety, the peace, and the prosperity of Central America and the zone of the Caribbean of paramount interest to the Government of the United States. Thus the malady of revolutions and financial collapse is most acute precisely in the region where it is most dangerous to us. It is here that we seek to apply a remedy.¹

Faced with these dangers, Taft readily accepted the wider implications of the Roosevelt Corollary to the Monroe Doctrine. Taft felt that American capital used in this way not only helped protect the Canal Zone, but it brought financial and political stability to the countries involved. At the same time the bankers in the United States derived a profit.

It will be remembered that according to the conventions signed at the Washington Conference of 1907, Honduras was to be in a state of perpetual neutrality. Because of heavy foreign indebtedness, Honduras could not develop a strong government, and therefore was subject to revolutions. Secretary Knox and the Honduras representative signed a convention in 1911 whereby the debts were to be refunded by American bankers, and secured by Honduras customs which were to be administrated by an American approved agent. However, the American-sponsored plan was not ratified by the United States Senate, and the Honduran Congress, principally on constitutional grounds, overwhelmingly rejected the agreement.²

¹Bailey, op. cit., p. 582.

²Stewart, op. cit., pp. 351, 352.

Later in 1911, the United States was called upon to arbitrate a revolution in Honduras. A provisional government was established; Dr. Francisco Bertrand became the temporary president, and peace was restored. President Taft was given by Honduras a vote of thanks "for his friendly mediation towards the reestablishment of peace in the Republic of Honduras."¹

Dollar Diplomacy was perhaps best known in Nicaragua. After the overthrow of the Zelaya government, a period of confusion followed, and eventually Adolfo Diaz emerged in 1911 as the "constitutional" president. He immediately received American recognition. The nation was drastically in debt to British syndicates in much the same fashion as Honduras. In order to avert difficulties with the European power, Secretary Knox negotiated a treaty with the new government (June 6, 1911) whereby the debt would be refunded by New York bankers. The Senate of the United States refused to ratify the agreement. However, the Department of State still wanted these debts taken out of British hands, so through the Department's influence, the New York bankers signed private contracts with Nicaragua to partially refund the debts.²

¹Ibid., pp. 352, 353.

²Bemis, op. cit., p. 163.

Shortly thereafter, a new revolution threatened the United States-backed regime of President Diaz. If this government fell, all the efforts of the State Department to bring about stability would have been lost. Diaz requested American aid, so about 2700 United States marines were landed in 1912. After a sharp engagement at Leon, the marines occupied most of the principal cities of the nation. From 1912 to 1933 (except for a brief interval) marines were to remain in Nicaragua to keep the government in office, police the elections, and train the constabulary.¹

When it was rumored that Germany was interested in a Nicaraguan canal, Knox tried to further the interests of the United States by signing an agreement with the Nicaraguan government whereby the United States would receive the exclusive right of way for a canal and leases on a few small islands in the Caribbean. For this consideration, Nicaragua was to receive \$3,000,000. This proposition was presented too late to be ratified by the Taft administration, but the same plan was later to be presented under President Wilson.²

During these political disturbances in Central America, a note was issued from Washington in September,

¹Ibid., p. 164.

²Ibid.

1912, which declared that under the Washington treaties of 1907, the United States felt that it had a "moral mandate" to try to preserve peace in Central America; it would therefore try to support established governments against revolution. It was further stated that force, if necessary, would be used to protect the American legations. This announcement increased the suspicion and resentment against the United States, especially on the part of the Liberals in Nicaragua.¹

VI. INTERVENTION DURING THE WILSON ADMINISTRATION

When Woodrow Wilson came into office in 1913, he had a program of reform in foreign as well as domestic policy. The "big stick" and "Dollar Diplomacy" were scuttled. In his Mobile Address of 1913, the Good Neighbor Policy, which his Assistant Secretary of the Navy was to develop twenty years later, was foreshadowed in a definite way. However, Wilson ended up by reviving Dollar Diplomacy, and by carrying out more interventions in Latin America as a whole than Theodore Roosevelt and Taft combined.²

Nicaragua once again was to be the major object of

¹Williams, op. cit., p. 440.

²Arthur P. Whitaker, "The United States in Latin America Since 1865," Current History, XXVIII (March, 1955), 154-59.

American intervention in Central America. It will be remembered that the Conservative Party in Nicaragua had secured control and recognition as a result of the intervention of United States marines. President Diaz and the Conservatives had continued to be friendly to American interests--both political and financial. In the election of 1916, the Liberals, who were very much dissatisfied, chose as their candidate Doctor Irias, a close friend and follower of ex-president Zelaya. The Conservatives selected as their man, General Emiliano Chamorro, one who had ably served as Nicaraguan minister to Washington.

In Latin America, it seems to be axiomatic that the only way a party not in power can win an election is by a revolution, for the party in power controls the election and somehow almost always comes out with the greatest number of votes. The United States did not desire to see anyone connected with Zelaya return to power, so it actively supported the Conservative candidate, General Chamorro. In addition to American moral support, one hundred American marines were stationed in the country to retain order. The party in power in such a situation had little difficulty in winning the election.¹

The American Secretary of State, William Jennings

¹Stewart, op. cit., p. 361.

Bryan, soon began negotiations with President Chamorro in regard to an acceptable canal treaty. Chamorro's predecessor, Diaz, had used the canal route as bait to make a close alliance with the United States in order to benefit himself and the Conservatives. He had proposed that if the canal was built, the United States would have the right to intervene in case of disorder. This plan was not acceptable to the United States Senate. However, Bryan did work out a treaty, (approved in 1916), that came to be known as the Bryan-Chamorro Treaty.¹

This treaty gave to the United States an exclusive ninety-nine year option for the building of a Nicaraguan canal. The American government was also granted naval bases on islands in the Caribbean and in the Gulf of Fonseca. For the agreement, Nicaragua received three million dollars.

Costa Rica, Honduras, and Salvador immediately protested in a vigorous way, for Nicaragua had negotiated this treaty without consulting them, and their territorial rights were directly involved. The proposed canal route included the harbor at Greytown and the San Juan River. Costa Rica had rights on the harbor and her territory bordered on the San Juan River. Nicaragua, Salvador, and

¹The United States Statutes at Large (Washington: Government Printing Office, 1917), XXXIX, Part II, 1661-1664.

Honduras bordered on the Gulf of Fonseca and all had equal jurisdiction over its waters. However, Nicaragua had granted the use of this body of water to a foreign power without her neighbors' consent.

Costa Rica and Salvador consequently brought suit against Nicaragua in the Central American Court of Justice. The Court condemned Nicaragua for the Bryan-Chamorro Treaty, because it had been negotiated without consulting the other countries whose territories were involved. The Court did not declare the treaty void for it stated that it had no authority over the United States, one of the originators of the treaty. The United States ignored the Court's decision and refused to influence Nicaragua in any way to bring about the treaty's cancellation. This was the last time that this Court tried to settle a dispute in Central America.

The attitude of the United States in the treaty controversy lost for the nation the last of the prestige it had gained as a friendly big neighbor in the Washington Conference. The United States had sponsored the Court of Justice and now helped to destroy it. Woodrow Wilson, despite his good intentions, did little better in Central America than Taft, the friend of American capital.

Possession of the canal route has always made Nicaraguans the prey of international ambitions and of adventurers. Sometimes, it is to be hoped, this new waterway between the oceans will bring to Nicaragua and all Central America the advantages they should have from it.¹

¹Peck, op. cit., p. 390.

William Jennings Bryan also was able to negotiate a treaty of friendship with Honduras during the time that he was the Secretary of State. This was one of his many agreements that were called the "cooling-off treaties". The United States and Honduras under the provisions of the treaty agreed to refer disputes to an international committee for arbitration, and agreed not to resort to war while the negotiations for arbitration were in progress.¹

It was evident that Central Americans had not lost all confidence in their big neighbor. When the United States entered the World War, all five countries except Salvador declared war on Germany, and even Salvador stated that all her ports were available for the United States' and Allied use.

In the declarations of war the United States was usually expressly mentioned: 'Guatemala assumes the same belligerent attitude as the United States'; even El Salvador, in announcing its attitude, declared that 'El Salvador as an American nation could not fail to recognize, in the conflict between the United States and Germany, the solidarity which binds it to the great Republic of the North . . . and that its condition of neutrality could not lead it to the point of considering the United States as a belligerent subject to the ordinary rules of international law.' During the peace negotiations the Central American republics boldly accepted the idealistic principles of President Wilson and entered the League

¹United States Statutes at Large, op. cit., pp. 1672-1674.

of Nations, fearing not a jot lest they be thereby drawn into the broils of Europe.¹

VII. FURTHER INTERVENTION AND ITS LIQUIDATION

The Secretary of State of the Republican administration that took office in 1921 was determined that changes should be made in American foreign policy.

It was the policy of Secretary of State Charles Evans Hughes (1921-1925) to liquidate intervention, but in this administration, intervention took a new lease on life. This brought to a climax the Latin American resentment against 'Yankee Imperialism' which had been mounting for the past twenty years.²

Secretary Hughes desired to do something to aid in the cause of peace, inasmuch as the United States had failed to become a part of the League of Nations. Among his interests was Central America, and the area truly needed someone's attention. The principles that had been established and agreed upon at the Washington Conference of 1907 had been abrogated by Nicaragua, and consequently the entire movement for peace appeared to be breaking down once again in Central America. In 1922, a new conflict was about to begin between Salvador, Honduras, and Nicaragua. Had it not been for the mediation of Secretary Hughes and the Government of

¹Stewart, op. cit., p. 353.

²Arthur P. Whitaker, op. cit., p. 156.

the United States, prospects for peace would have collapsed.)¹

Secretary Hughes felt that if the principles of the Washington Conference of 1907 could be reestablished, then peace and political order would be more nearly possible and the United States marines could be withdrawn from Nicaragua. Consequently, in response to Hughes' invitation, the five Central American republics convened at the Washington Conference of 1922-23. Under the chairmanship of Secretary Hughes, thirteen treaties were signed among the five nations. These treaties dealt with subjects such as the preservation of peace, disarmament, finances, labor, social welfare, and other important matters of mutual interest. The outstanding accomplishment was the revival of the Central American Tribunal which was to deal with the international disputes between states. In some respects this new organization was less rigorous than the plan of 1907, but the new plan was more realistic. The old plan gave to the court power to intervene in all disputes of whatever nature, whereas the new agreement established the principle that no nation was to enter into a civil war or the internal affairs of another country.

Another important principle established was that revolutions were to be frowned upon, and any government

¹Bemis, op. cit., p. 204.

that achieved its power by unconstitutional means was not to be recognized. This agreement, which was embodied in the General Treaty of Peace and Amity, became the basis for more United States intervention in Central America.

Even before the Washington treaties could be ratified, a defeated presidential candidate in Honduras resorted to revolution. Secretary Hughes was determined that the new pacts would be enforced, and as a result, formal relations were broken off, warships entered Honduran waters, and marines were landed. Order soon was restored, but unlike Knox and Bryan, Hughes did not recommend that the nation be occupied. Delegates from each Central American state, with the American representative Sumner Welles, met at Amapala, and set up and recognized a provisional government. This government was in power until a new president was chosen in a free election.¹

Again in March 1924, the United States attempted to stabilize the government of Honduras by placing a presidential embargo upon the shipment of munitions from the United States to Honduras. Also through the diplomatic efforts of the United States, the \$150,000,000 debt that was owed to British bondholders was scaled down to \$6,000,000, and refunded so that the remainder could be paid in

¹Ibid., p. 209.

thirty annual payments.¹

The General Treaty of Peace and Amity was to prove quite successful, and was to remain effective until it was denounced by Salvador and Costa Rica in 1933. At that time, Salvador had had a successful revolution under the leadership of General Martinez, and Costa Rica was desirous of recognizing the new regime. To do so, Costa Rica joined Salvador in renouncing the above treaty. Shortly thereafter, Honduras, Guatemala, and Nicaragua also gave their recognition to the Martinez government, and thus Central American recognition was complete. The United States soon granted her recognition, and in this way the General Treaty of Peace and Amity was abrogated, at least with respect to the policy that a government that achieves power by means of the revolution would not be recognized.

When the new treaties of the second Washington Conference became effective, the United States hoped that the American marines could be withdrawn from Nicaragua. This withdrawal was delayed until after the Nicaraguan national elections of 1925. Once again the party in power controlled the election, and the opposition could do little to resist as the American marines supported martial law and all attempts at rebellion were suppressed. American public

¹Ibid.,

opinion, however, became so opposed to the Nicaraguan occupation that the marines were entirely withdrawn in August of 1925.

Almost immediately politicians began to scramble for power. Emiliano Chamorro promptly took over the government, and the President and the Vice-President were forced to flee the country. Chamorro was recognized by no foreign power and soon was ousted. Congress in the midst of the confusion selected as president Adolfo Diaz, a man who was definitely pro-American.

Juan Sacasa, the Vice-President who had been disposed by Chamorro, stated that he had a legal claim to the presidency and, consequently, secured arms and support from his place of exile in Mexico. Soon he invaded the eastern coast of Nicaragua. Riot reigned in the country. Liberals and Conservatives fought with each other throughout the entire nation. Most of the people supported Sacasa, for he previously had become popular as a result of his opposition to the resented American armed intervention. President Diaz asked for American assistance, claiming that Mexico was behind the rebellion, and stating that he could no longer protect foreign property.

Marines once again occupied Nicaragua and General Henry L. Stimson successfully mediated between the two warring parties. The participants in the revolution were

forced to turn in their guns to President Diaz. For having requested the Americans to return, Diaz became a man despised by his countrymen and all of Latin America.¹

Both the Liberals and the Conservatives agreed to permit another election under American supervision. This election proved to be the first free election ever held in Nicaragua. Consequently the Liberals were returned to power with the election of General Moncada, a leader of the Sacasa revolutionaries. The American marines immediately started a program to train the Guardia Nacional, but in the midst of their activities, they were called upon to aid in the attempted capture of Sandino, a Nicaraguan outlaw who had a large following. The Americans tried many methods to find and defeat the well-known rebel. Even bombs were dropped on his mountain strongholds, but for many months Sandino could not be defeated nor captured by the marines who were supported by the Guardia Nacional.

Sandino always prided himself in the fact that the Yankees could never overcome him. Other Nicaraguans shared his joy, for regardless of what they thought of Sandino as a man, they were happy that he was opposing the Yankees, because American guns and bombs were killing Nicaraguans. When the American soldiers were finally withdrawn, the

¹Peck, op. cit., pp. 390-393.

"Sandinistas" boasted that the Yankee had been driven out by them. Sandino eventually was defeated and executed by the Guardia Nacional.¹

On November 22, 1929, Secretary of State Stimson announced that the American marines would gradually be withdrawn from Nicaragua. Both the Conservatives and the Liberals were opposed to the plan, for they feared the results. Before this project could be put into operation, continued political instability made it necessary to increase the number of marines present. However, by June, 1931, the original number of twelve hundred was reduced to five hundred and these remained as a legation guard. The Sandino insurrection described above brought pressure to bear upon Stimson to bring in a larger force. Secretary Stimson would not yield, but announced that all American troops would be removed by the fall of 1932. On January 2, 1933, the last United States marines left Nicaragua.²

With the departure of these troops, American armed intervention came to an end in Central America. Those years left behind a spirit of fear and distrust that even today is hard to live down.

¹Peck, op. cit., pp. 394, 395.

²Wilgus, op. cit., pp. 717, 718.

VIII. THE GOOD NEIGHBOR POLICY

In his first inaugural address, given on March 4, 1933, Franklin D. Roosevelt declared:

In the field of world policy, I would dedicate this nation to the policy of the good neighbor--the neighbor who resolutely respects himself and, because he does so, respects the rights of others--the neighbor who respects his obligations and respects the sanctity of his agreements in and with a world of neighbors.¹

At first glance, this declaration may be somewhat meaningless, for it did not commit the United States to any definite course of actions. However, by the time of Roosevelt's death twelve years later, few persons in the Western Hemisphere had not heard of his "Good Neighbor Policy". Roosevelt and his policy secured an unprecedented popularity among the Latin Americans. This was largely due to the hands-off principle that was adopted and maintained by the New Deal Administration.

Not only in Central America, but throughout all of Latin America, governments had a complete respite from North American intervention. The hands-off policy was applied to all governments whether they were democratic, dictatorial or otherwise. The United States--the champion

¹Edward O. Guerrant, Roosevelt's Good Neighbor Policy (Albuquerque: The University of New Mexico Press, 1950), p. 1.

of democracy--even though it was paradoxical, because very friendly with reactionary and totalitarian Latin American governments. Naturally, the governments of Latin America were heartily in favor of non-intervention, for they were not made subjected to possible interference. The only deviation that was made from this principle was when mild economic sanctions were used against Argentina when that nation was making friendly gestures to the Axis powers during the early years of the Second World War. These sanctions were lifted with Argentina's declaration of war against Germany in 1945.¹

The theories of President Roosevelt were readily considered to be more trustworthy when the United States, without reservation, joined the other delegates at the Buenos Aires Conference of 1936, and signed the following protocol:

'The High Contractive Parties declare inadmissible the intervention of any one of them, directly or indirectly, and for whatever reason, in the internal or external affairs of any of the Parties. The violation of the provisions of this Article shall give rise to mutual consultation with the object of exchanging views and seeking methods of peaceful adjustment.'

This non-intervention protocol was signed by all twenty-one American nations. The United States delegation appended no reservation to this convention, and Latin Americans were at last convinced

¹Ibid., pp. 17, 18.

that the Roosevelt Administration had completely abandoned the principle of intervention.¹

The Central American delegates wanted an even stronger assurance that non-intervention would be prohibited. They urged this point, for they had more frequently been the subjects of intervention than other nations. Their suggestions were not incorporated in the convention, which had the legal effect of a treaty, but a joint declaration was adopted.

The salient points in this Declaration of Principles of Inter-American Solidarity and Cooperation were as follows: the American nations 'proclaim their absolute juridical sovereignty, their unqualified respect for their respective sovereignties and the existence of a common democracy throughout America.' In addition they declared that the American nations accepted the following principles:

'(a) Proscription of territorial conquest and that, in consequence, no acquisition made through violence shall be recognized; (b) Intervention by one State in the internal or external affairs of another State is condemned; (c) Forcible collection of pecuniary debts is illegal; and (d) Any difference or dispute between the American nations, whatever its nature or origin, shall be settled by the methods of conciliation, or unrestricted arbitration, or through operation of international justice.'

Although the Central Americans would have preferred a convention rather than a declaration, one authority stated that these nations considered this Declaration a 'sort of Magna Charta of American freedom and collective security.'

¹Ibid., pp. 11, 12.

Sumner Welles summarized the net results of the Conference:

If there is one thing above all other, that the Government of the United States stand for in its relationship with the other republics of this hemisphere, it is its utter unwillingness to interfere, directly or indirectly in the domestic concerns of those nations.¹

The policy of non-intervention was altered somewhat during the Administration of President Truman. The State Department developed the idea of multilateral intervention as opposed to unilateral intervention. The advocates of this principle felt that there would be occasions when intervention perhaps would be necessary to prevent the development of Fascism in this hemisphere, but believed that it would be justified only as "collective multi-lateral action after full consultation among the republics," and not as unilateral intervention by the United States alone. The United States committed itself to this policy at the Rio de Janeiro Conference of August, 1947. Under this agreement, in the event of aggression or threat of aggression, united action may be taken by the American nations, even to the use of armed force to preserve the peace.²

No occasion has yet arisen for the application of the Rio de Janeiro treaty, and it appears to be a strong

¹Ibid., pp. 12, 13.

²Ibid., pp. 18-20.

element in the preservation of the peace. Perhaps an outstanding example of non-intervention was revealed when the American government refrained from using armed intervention to bring about the overthrow of the Arbenz government in the Republic of Guatemala during the spring and summer of 1954. The United States was willing to wait until exiled Guatemalans could organize, invade the country, and bring about the downfall of the Communist controlled government. The author was a resident of Central America at the time and was a witness to many documented proofs that clearly revealed that the Arbenz regime was a Communist government which operated under instructions from Russia. These facts were clear to the officials of the American State Department. True, the Americans did much in negotiations that were conducted behind the scenes, but in respect to American military intervention, the United States kept "hands off."

The Good Neighbor Policy and the fact that the United States has for many years refused to intervene directly in Central American politics cannot be emphasized too greatly. During this period the governments of all these five small nations once again expressed their solidarity with the United States by declaring war immediately against Japan on December 8, 1941, and on Germany and Italy by December 12. May we now consider that Central Americans have implicit

confidence in the United States' Government, and no longer look with distrust upon the "Great Colossus of the North"? Has the United States abandoned armed intervention to adopt other methods that are more subtle and yet sufficiently effective to bring about the domination of these Central American states? An attempt to answer these questions and a further discussion of modern political and economic developments in Central America is deferred until a later place in the discussion.

CHAPTER III

A BRIEF SURVEY OF THE OPERATIONS OF THE UNITED FRUIT COMPANY IN CENTRAL AMERICA

Two great forces, the United States and the United Fruit Company, have played a dominant part in shaping the development of the countries of Central America. Both have been declared to be imperialistic in their practices. The first power frequently has been openly criticised for using political, military, and economic tactics to achieve its desired goals, and the second power likewise has been accused of employing imperialistic methods that have been largely economic, but just as potent.

In the section just completed, a brief analysis of the United States' intervention in Central America was presented. Before giving an interpretation of what was or was not accomplished as a result of American official action, it seems advisable first to survey the activities of an American private corporation, the United Fruit Company.

This organization developed during the period when American intervention was extremely frequent, yet the United Fruit Company was able to boast that it has never called for a marine or a battleship to protect its interests. None was needed, for it has been more powerful than many nations, and has been able to do its own negotiating. With the use of

economic force, it has been able to protect itself quite well.¹

Few American firms that have operated in foreign countries have been subjected to more criticism, both at home and in the foreign sectors of their operations. An attempt will be made in this section to give an objective revaluation of the activities of the United Fruit Company in the Central American sector, but again the conclusions that may be drawn have been deferred to another portion of the study.

I. THE EARLY HISTORY OF THE UNITED FRUIT COMPANY

One cannot give an adequate discussion of the development of the United Fruit Company without giving due credit to a man who has often been called its founder--Minor C. Keith. Shortly after his death The Nation eulogized him by writing:

Perhaps the most important figure in the entire history of the Central America--the man who has done most to steer the destinies of the Caribbean countries--was Minor C. Keith.

.....

Upon his tomb might well be inscribed the words, 'he built railroads and planted bananas.' Those were his major activities and with them for more than half a century he remade nations. When he died his dream

¹"Empire Builder," The Nation, CXXIX (July 3, 1929), 5.

of a railroad that should link North America with the South was still five hundred miles short of fulfilment, but he had built the major links, some of them over swampy jungle land where neither white man nor red had been able to live; and he proved that they could be made to pay. He planted bananas to provide freight for his railways, and with his bananas transformed the whole East coast of C. A. His name was a byword in four republics, all of which at times virtually put the entire settlement of their foreign debts in his hands.¹

Minor C. Keith went to live in Costa Rica at the age of twenty-three, married a Costa Rican girl, and grew up with the country. His uncle, Henry Meiggs, had gained quite a reputation as a railroad builder in Chile and Peru. Meiggs is reported to have said upon looking at the towering Andes, "Anywhere a llama can go I can take a train." In 1871, Minor C. Keith, his uncle Meiggs, and Minor's three brothers went to Costa Rica to construct a railroad from the tropical coast line on the Caribbean coast to the capital at San Jose in the highlands. The Costa Rican government knew that the project would be a difficult one, and it was for that reason that the Keiths were asked to take the job.

The proposed railroad was to start at Limon on the coast. The region was filled with swamps, tangled jungles, mosquitos and tropical fever. Costa Ricans refused to work in the area, so laborers were brought from the United States and hundreds of Negroes were imported from Jamaica.

¹Ibid.

During the first year only four miles of track were laid, and in the second twenty were added. But the cost was tremendous--both in money and in lives. The tropical fevers were responsible for most of the casualties. Just to lay those twenty-four miles of track, four thousand lives were lost, including those of Henry Meiggs, and Minor Keith's three brothers. Keith himself survived many fever attacks and carried on alone.¹

The Costa Rican government began to run out of money, and the road had not reached the coffee producing highlands, so Keith had to develop some type of product to carry for freight on the railroads. His line went into the swamps and there terminated. However, Keith was not to be defeated.

Keith formed a partnership with Carl B. Franc, who had banana plantations in Panama. Soon flourishing banana plants were to be found growing in the lowlands near Keith's Costa Rican railway. Within not too many months, the Keith-Franc partnership was exporting bananas to the United States. Meanwhile the railroad continued to penetrate the steaming jungles and the locomotives that freighted out the expanding banana crops also carried the corpses of the railroad workers that daily succumbed to the rigors of the jungle.

¹Anne Merriman Peck, The Pageant of Middle American History (New York: Longman's Green, and Company, 1947), p. 319.

The banana business boomed. Keith soon planted his bananas in Nicaragua also. General stores were established in some of the eastern Nicaraguan port towns. Limon was cleaned up; seawalls were constructed to prevent floods; the swamps that bred mosquitos were filled in; and a different situation existed after Keith and his associates took over.

In 1890, after nineteen years of stupendous achievements, the Costa Rica Railroad was completed. Even today, as one rides over this railroad, the traveler cannot help but marvel as the tracks cross the steamy swamps through the tangles of tropical jungles, wind and twist their way over and through the mountains, and span the deep gorges on narrow trestles to reach the capital city of San Jose. The completion of this line made Minor C. Keith a famous and highly respected character in Costa Rica.¹

While Keith was building his railroads and developing his banana enterprises, other organizations were engaged in the expanding banana industry. By the end of the nineteenth century, about twenty groups had a definite interest in the banana trade. In 1870, the year before Keith started in Costa Rica, Lorenzo D. Baker started to transport bananas from Jamaica to the United States. He found the business

¹Ibid., p. 328.

profitable, so soon he joined with Andrew W. Preston and eight others to form the Boston Fruit Company. The organization grew at a rapid rate and by 1890 it was conservatively estimated to be worth \$531,000. The activities of the Boston Fruit Company soon were expanded into Cuba and Santo Domingo, as well as having a profitable growth in Jamaica.¹

In 1899, the Keith interests (which by this time had expanded into Columbia), amalgamated with the Boston Fruit Company, and the United Fruit Company came into being. The new corporation paid the Boston Fruit Company \$5,200,000 for its assets and the Keith interests received \$4,000,000. By the end of the first year, the new United Fruit Company owned 112 miles of railroad, and 212,394 acres of land, of which 61,263 were improved. Expansion has been the policy from the very start and there has been a tendency to move westward. Sugar production soon took over the Cuban lands, and eventually the Santo Domingo lands were entirely abandoned. Only in Jamaica are bananas still being raised by the United Fruit Company on the old lands of the Boston Fruit Company. Most of the later expansion came in Central America where the Keith enterprises had a secure foothold.²

¹Charles David Kepner, Jr. and Jay Henry Soothill, The Banana Empire (New York: The Vanguard Press, 1935), pp. 33-36.

²Ibid.

II. THE UNITED FRUIT COMPANY EXPANDS BY ECONOMIC CONQUEST AND CONSOLIDATION

The United Fruit Company was determined that the banana trade of Central America was to be exclusively under its control, and history shows that with very few exceptions it achieved the desired goal.

In 1905, several independent organizations which were engaged in the banana trade in the Caribbean area united under the name of Atlantic Fruit Company to challenge the domination of United Fruit Company in Central America. Being unable to secure a footing or financial stability, the Atlantic Fruit Company sold 51 per cent of its stock to the Marquis de Maury, a man to whom it owed much money for fruit purchases. From him the stock was transferred to a brokerage house in New York which held it for the United Fruit Company. The Atlantic Fruit Company brought suit against the United Fruit Company for buying up its stock, declaring that the United had violated the Sherman Anti-Trust Law by controlling their competition. The Atlantic Fruit Company lost the suit, but the United had received a warning.

For five years the officials of the two companies earned money together, but the association appears to have been anything but harmonious. Finally, it was urged so strongly by Atlantic that one group should buy the other

out, that United sold back its Atlantic stock to the Atlantic Fruit Company. Atlantic was so eager to regain control that it was willing to pay a high price for the stock that United possessed. The United Fruit Company, however, was not entirely the loser, for it sold stock that had cost \$31 per share for the book value price of \$123 per share.¹

The Atlantic Fruit Company then reorganized and formed a stronger firm known as the Atlantic Fruit and Steamship Company. The new company was again anxious to secure a portion of the banana trade in Costa Rica. The United was even more determined that its domain should not be invaded. The United controlled a large portion of the railroad and the docking facilities, so frequently the Atlantic shipments of bananas could be delayed and held up until the fruit would start to spoil. On other occasions, the bananas were even chopped up by men and their machetes operating under instructions from the United.² The United Fruit

¹Ibid., pp. 64-66.

²This information was obtained from Mr. Soothill, one of the authors of The Banana Empire, op. cit. and is fully explained in the footnote reference for page 67 of The Banana Empire. He was in charge of one of the gangs that was commissioned to do this type of work, and narrowly escaped being shot by one of the indignant farmers. Shortly thereafter he became secretary to the general superintendent of the United Fruit Company's Costa Rica Division.

Company, being a much larger concern, purchased or leased at high prices the land which was to produce Atlantic's fruit. Again, the Atlantic resorted to the courts, but the United was not forced to retreat. This legal action was taken in Central America, but the Costa Rican courts would not condemn the United Fruit Company. On July 27, 1912, the Atlantic Fruit and Steamship Company decided to withdraw from the banana business in Costa Rica, for it felt that the conditions were too unequal to permit competition.¹

The United Fruit Company thus had a virtual monopoly on the Costa Rican trade until it was challenged again in 1927. This time, a co-operative association of banana growers and the Cuyamel Fruit Company tried to secure some of the lucrative banana business. Again the United Fruit Company had the upper hand. The United controlled the railroad and thus could control the shipping rates for the competition. The ships also were under the control of the United and they refused to carry the fruit of a rival even though their ships had space for the extra freight. The United renewed its contracts with the major portion of the Costa Rican planters so that the rival firms would be unable to purchase fruit from them for ten years. The cooperatives tried to secure guarantees from the government that they

¹Ibid., pp. 67, 69.

would not be discriminated against on the railroads operated by the United but the government refused such a guarantee, probably because Cuyamel failed to press the matter. Soon the idea of purchasing fruit in Costa Rica was abandoned by the cooperatives and the Cuyamel. The Cuyamel Fruit Company did not force the issue for it was trying to maneuver into a position so that it could force the United Fruit Company to purchase Cuyamel.¹

While the United Fruit Company was conquering its rivals on the Atlantic coast, two other organizations were developing on the Pacific side of Costa Rica. However, neither company grew to sufficient size to threaten the dominance of the United. The United Fruit Company did not force these firms out of business, but gradually through purchase of stock has made them subsidiaries of its vast organization. One of the companies, the Perris Farm and Trading Company, was still reported as independent in 1934, but the United at present has a stock control of the corporation. The other firm, the Gulf of Dulce Land Company, since 1932 is by all indications a subsidiary of the United Fruit Company.²

Shortly after the organization of the United Fruit

¹Ibid., pp. 70-76.

²Ibid., pp. 82-87.

Company, Minor C. Keith turned his attention again to the building of railroads. This time it was in Guatemala. A few lines had been constructed from the Pacific Coast to the capital city, using English finance, but the government had lost its credit and the important line that was to connect the capital with the Caribbean port of Puerto Carrios had never been completed. A portion of the railroad had been built from Puerto Barrios inland as far as El Rancho.

Keith surveyed the situation and decided that the short line that had been constructed from Puerto Barrios inland could be made to pay if it only had more freight. As first vice-president of the United Fruit Company, Keith persuaded the new firm to start banana plantations along this railroad. Keith then joined other railroad financiers and proposed to the Guatemalan government that they be permitted to purchase the unfinished line with the agreement that Keith and his associates would complete its construction. The government accepted the proposal, and the Keith organization finished the line on personal credit and rebuilt most of the old construction. The railroad holdings of Keith in Guatemala gradually increased, until by 1912, he was able to finance in England a corporation that was called the International Railways of Central America. This company, by purchase, took over all the railroads in Guatemala and in Salvador. The lines in Salvador were later enlarged until

the little nation became fairly well served by the International Railroad. Keith's dream was to have a complete system of railroads that would extend from Mexico to Panama. As yet, his dream has never become a reality.¹

When the Keith organization gained complete control of the Guatemalan railroads, the United Fruit Company found it unnecessary to build lines of its own to transport its fruit to Puerto Barrios on the Caribbean. The United Fruit Company has declared vehemently that it does not own the International Railways of Central America, but none can deny that they have had a common ancestor in Minor C. Keith. Keith was the first vice-president of the United Fruit Company from 1899 to 1921, and was president of the International Railways of Central America from 1912 until shortly before his death in 1929. Both companies have had interlocking directorates, and at times the published prospectus of the railroad has listed the United Fruit Company spurs as a part of its property. The United Fruit Company many times serves as a direct agent for purchases that are needed by the railroad.²

Time Magazine, in the issue of October 12, 1936,

¹Samuel Crowther, The Romance and Rise of the American Tropics (Garden City, New York: Doubleday, Doran and Company, 1929), pp. 157-159.

²Kepner, op. cit., pp. 157-164.

stated that the United Fruit Company has invested about \$10,000,000 in the International Railways of Central America. According to a contract that was revealed to the public in October of 1936, the two parties agreed to maintain favorable relations, and in so doing, the United Fruit Company would provide the railroad with freight, additional railroad equipment, and ballast from the company mines on favorable terms. The United Fruit Company also gave the International Railways of Central America \$2,165,000 in cash. They received in return twenty-year notes for \$1,750,000, and 185,000 new common shares. Time then estimated that the United Fruit Company had acquired an approximate 31% interest in the Central American railway.¹

In commenting upon this relationship, Dana G. Munro states:

Besides the numerous lines built expressly for carrying bananas from the farms to the wharves, the Fruit Company, or concerns allied to it, controls the entire railway system of Guatemala, a large part of that of Salvador, and the most important road, from San Jose to Puerto Limon, in Costa Rica. The few independent growers along its lines are completely at its mercy, for they have no alternative but to sell their fruit to it under the conditions which it dictates.²

The very close relationship that exists between the

¹"Banana Road," Time, XXVIII, (October 12, 1936), 76.

²Dana G. Munro, The Five Republics of Central America (New York: Oxford University Press, 1918), pp. 269, 270.

two corporations is also very clearly illustrated by the favoritism that is shown the United Fruit Company. Freight rates are much cheaper on shipments of coffee and other freight that is directed toward Puerto Barrios than the shipments that are destined for the Pacific ports. From Puerto Barrios, the United Fruit Company ships its bananas and commercial cargo, while the Pacific ports are served by other steamship companies. As a natural consequence, most of the coffee exports, which is Guatemala's chief product for exportation, and a large portion of the commercial traffic, are routed through Puerto Barrios, and the United Fruit Company is able to reap the profits.¹

With such a favorable transportation arrangement in Guatemala, it has been no wonder that the United Fruit Company has developed its business there with little competition from other organizations wanting to enter the field of banana production.

In Honduras, immediately to the south of Guatemala, the picture was different. Instead of comparatively little opposition, here the United Fruit Company had to struggle fiercely in order to dominate the fruit business. Although Honduras is in the center of Central America, possesses vast coastal areas ideal for banana production, and bananas

¹Ibid., p. 69.

have been raised there for export since 1860, only in the twentieth century have large corporations come to control the lucrative tropical fruit business of this small country.

It was in Honduras that a Bessarabian immigrant named Samuel Zemurray first came into real prominence in the banana export trade. Zemurray, next to Minor Keith perhaps the best-known "Yankee" involved in the financial and political affairs of the "banana republics", had come to the United States and found a business opportunity in New Orleans. At the start of this century, he asked United Fruit officials in that city for a contract to purchase bananas which had ripened, or started to turn brown, on the voyage from the plantations. In the past these "ripes" had been thrown overboard as undesirable.

Zemurray did not reveal the purpose for which he desired the "ripes." United officials presumed he would utilize them in the making of alcohol, and saw no harm in realizing a small profit from material which had been considered as waste. The contract was therefore granted, but Zemurray soon was selling the fruit to the public at such a low price that United began to feel an adverse effect upon its local business. Zemurray, however, cannily refused to surrender his profitable contract until he secured a promise from the United Fruit Company of financial backing for his purchase of the Streich banana plantations in Honduras.

William F. Streich, of Philadelphia, had been given land concessions by the Honduran government in order to engage in banana production on a large scale. Lack of funds prevented development of the project as he had anticipated, and he was ready to sell to Zemurray and the United Fruit Company.

The United Fruit Company assisted Zemurray in the organization of the Hubbard-Zemurray Company, with United Fruit owning sixty per cent of the stock. Zemurray then proceeded to raise bananas himself. United Fruit sold its stock in the new firm and perhaps felt Zemurray would be forced into bankruptcy when his debts with the United Fruit Company would come due. Such was not the case. In 1911, he secured new financial backing and organized the Cuyamel Fruit Company and at the same time used his new capital to become financially independent of the United Fruit Company. Within a few years, the United Fruit Company had its most powerful competitor in Honduras.¹ Samuel Zemurray also later proved to be a powerful influence in Central American politics.

Before either the United Fruit Company or Zemurray had active interests in Honduras, the Vaccaro Brothers in 1899 started a banana plantation near La Ceiba, which is

¹Kepner, op. cit., pp. 100-102.

the largest of the Honduran cities. Their activities quickly expanded until they were not only engaged in banana production but also found profit in sugar, soap, steamship lines, distilleries, a shoe factory, and a bank. At present this organization is commonly known as the Standard Fruit Company, and it is significant that it has successfully worked in an area where the United Fruit Company is believed to have desired a complete monopoly.¹

Sam Zemurray's Cuyamel Fruit Company, and the Vaccaro Brothers' Standard Fruit Company were well established in Honduras when the United Fruit Company commenced its operations in this portion of Central America. The United Fruit Company secured its start in Honduras through its railroad subsidiaries, the Tela Railroad Company and the Truxillo Railroad Company. These two railroad companies had secured from the Honduran government large tracts of land in connection with their railroad construction contracts. On this land in 1914, only a year after the land concessions were granted, the United Fruit Company had approximately 15,000 acres under cultivation, or about one-half as much as the land area it operated in Guatemala, and one-third the size of its large holdings in Costa Rica. By 1924, or only ten years after the Tela and Truxillo railroad companies had

¹Ibid., p. 102.

started to operate in Honduras, the United Fruit Company had under cultivation 87,808 acres of land, or three times its cultivation in Columbia and Guatemala and five times its cultivation in Panama and Costa Rica. The United has perhaps expanded more rapidly in Honduras than in any other place largely because of the great extent of excellent land that is available for the cultivation of the banana. Of its Honduran land, both improved and unimproved, out of a total of 400,000 acres about 175,000 acres were received as subsidy for railroad construction and did not cost the company a penny.¹

Had it not been for the keen competition that developed in the United States over the marketing of the fruit, the Cuyamel and the United Fruit Companies would perhaps have continued to exist as rivals in the banana business in Honduras. However, Cuyamel specialized in production of a larger banana, thus providing the American public with superior fruit, and made a sizable profit in its operation. The market value of Cuyamel's stock rose from a price range of \$51-\$32 in 1926 to \$126-\$63 in 1929. The competition of this growing company was hurting the United Fruit Company's market in the United States. Consequently, in December, 1929, the United Fruit Company negotiated to purchase the

¹Ibid., pp. 112-113.

Cuyamel Fruit Company for 300,000 shares of no par United Fruit Company stock, which at that time was worth \$32,000,000. Sam Zemurray, the founder of Cuyamel, received one-half of the 300,000 shares of the United Fruit Company, and by 1934 was able to dictate to the company from which in earlier years he had purchased over-ripe bananas to sell on the streets of New Orleans.¹

At the time of its purchase by the United Fruit Company, the Cuyamel had a sugar refining plant that was capable of producing 1,500 tons of sugar daily; 16 steamships; 145 miles of railroads; and 250,000 acres of land, of which 22,149 in Honduras and 12,450 in other areas were under actual banana cultivation. The fixed assets of Cuyamel were estimated at about \$26,000,000. The United Fruit Company thus purchased its chief competitor and became a \$242,000,000 corporation which ruled the banana empire. Only the Standard Fruit Company remains as a major competitor in Central America, and it appears to desire to work with the United Fruit Company rather than oppose it.²

When the depression came, the shares of United Fruit declined from \$158 to \$26. As Zemurray looked at the

¹Ibid., pp. 130-133.

²Ibid., pp. 130-133.

situation, his opinion of the United Fruit leadership shrank in proportion. He was determined that the company president, Victor M. Cutter, and his associates should go. Zemurray went to the historic Boston meeting in January of 1933 to take action. Tradition states that Zemurray tossed his bale of proxies and stock certificates on the director's table with the statement, "You've been bitching up this business too long." The Cutter regime collapsed and Zemurray became the boss.¹ At present Sam Zemurray is listed as Chairman of the Executive Committee in the Annual Report of the United Fruit Company for 1954.

Today the United Fruit Company carries on extensive operations in four of the five Central American republics: Guatemala, Honduras, Costa Rica, and Nicaragua. Only in Salvador, where land is not too suitable for the production of the banana, do we find the absence of the United Fruit. However, the International Railways of Central America, which serves Salvador, play a dominant role in the little nation's economy, and as we have noted in this chapter, there seems clear evidence that this railroad is very closely related to the United Fruit.

¹"Banana Split a la Zemurray," Business Week (May 4, 1946), p. 47.

III. THE UNITED FRUIT COMPANY AND POLITICS

In order for a foreign corporation such as the United Fruit Company to begin operation in Central America, it is necessary for it to secure the proper permission from the governments in whose territories it wishes to conduct its business. Therefore, concessions and land grants or purchases are sought from the political leaders of the nations involved. In these negotiations, it has become very easy for large American firms to become very much entangled in the politics of Central America.

Most of the fruit companies operating in Central America have obtained their concessions from the governments under the terms that they build a railroad from the coastal town into the interior and on to the capital city. The United Fruit Company in Honduras agreed to construct a railroad from the North Coast to Tegucigalpa. From the government, the Company received in return the right to appropriate for its own use amounts of land varying from 250 to 500 hectares (that is from 617.5 to 1,235 acres) for every kilometer constructed along the main line and its branches. The Company also was allowed to improve the ports from which its ships sailed, and was permitted to charge fees to other exporters that used its facilities.¹

¹Munro, op. cit., p. 134.

The object of the Honduran government in making these concessions was to provide a means of communication that would link the North Coast with the capital. This link has never been completed, and the railroads are still only to be found in the rich lowlands where the land is ideal for the cultivation of the banana. The situation seems to indicate that the fruit company is only interested in building its roads in the regions where they best can be used to transport its bananas. Many branch lines have been built, but only in the banana districts. Of course, the Company becomes the owner of more tillable land with every kilometer of railroad that is constructed, be it a main line or a branch line. Most of the contracts that have given concessions to the United Fruit Company and others have obligated the firms to extend the railroad into the interior towns within a specified period of time, but the Central American governments have been unable to enforce these provisions of the contracts.¹ The governments have not confiscated the land for fear the companies would remove their business to other lands and thus the little nations would lose a major source of income.

In some sections of Central America, the railroads are obviously constructed so as to bring benefit to the

¹Ibid.

fruit companies, that they have been called "the railroads that run in circles." They leave the ports, go out into the banana plantations and return to the original port again. Despite the fact that the United Fruit Company owns or controls thousands of acres of land in Central America, there is at present still no network of railroads connecting the five small republics. In Honduras, for example, where the United Fruit Company owns its greatest acreage, there is no railroad to connect the Atlantic and the Pacific coasts, and Tegucigalpa is one of the very few national capitals of the world that as yet has no railroad service.

Munro attempts to explain the reasons and the results of such exploitation in Honduras as follows:

The desire to secure railway communication between the capital and the North Coast has been so strong that valuable and far-reaching privileges have often been granted, with little consideration and with no effective safeguards, to companies which have promised more than they had any intentions of carrying out; and other concessions, often actually prejudicial to the interests of the Republic, have been secured occasionally by foreigners who have aided revolutionary leaders in securing control of the government. Because of the lessons learned through many hard experiences with unscrupulous promoters, however, the native authorities are much more cautious of late about investigating the character and financial standing of persons applying to them for favors, and the majority of the contracts recently entered into have been more equitable in their terms and more explicit in their provisions than those of former years.¹

¹Ibid.

Not only have the fruit companies been criticized for their failures to comply with their contracts, but it has been stated that they have fomented and financed revolutions in order to advance or maintain their economic control. A Honduran revolution that for a time centered about Sam Zemurray has been cited as an example of a revolt that was sponsored by a fruit company.

When President Miquel R. Davila took over the Honduran Government in the spring of 1907, his position was not only unstable, but perilous. This instability was largely a result of the tremendous foreign debt that Honduras possessed. At the same time, the new president soon became disliked by Sam Zemurray, for Davila was granting too many favors to Zemurray's competitors. The debt had resulted from efforts put forth in the construction of a railroad that was supposed to have led eventually from the Caribbean to the Gulf of Fonseca. The Project was first organized in the early 1850's by the Honduran Government in cooperation with British bankers.

Several organizations attempted to build the railroad but all either collapsed from financial instability or abandoned the plan in discouragement. Consequently, by 1908 only fifty-nine miles of the railroad had been built, it had become a humble banana line, and the Government was saddled with a public debt of over a hundred million dollars. To

add urgency to the situation, the British bondholders were wanting either their money or a share in the banana railroad that was rapidly developing into a profitable business.¹

While Davila was trying to arrange loans from American banks in 1910 to satisfy the demands of the British creditors, one of Davila's political enemies was preparing to move against him. Manuel Bonilla, a former Honduran dictator who had lost control of the Government in 1907, had outfitted an expedition in New Orleans, British Honduras, and Guatemala, and attacked the north coast of Honduras in the summer of 1910. This first expedition resulted in failure, but Bonilla was not to be discouraged. Zemurray, who wanted Davila ousted for business reasons, backed Bonilla financially in the preparation of another campaign against Davila. Bonilla's forces captured the Bay Islands January 1, 1911, and in a few days seized Trujillo.²

Meanwhile, Davila was trying to secure the loan treaties with the United States so that his own position would be strengthened in Honduras. As Bonilla's forces were victoriously advancing along the coast, Davila cabled the United States and stated that Honduras was ready to approve the loan conventions, but requested American intervention to

¹J. Fred Rippey, The Caribbean Danger Zone (New York: G. P. Putnam's Cons, 1940), pp. 206-209.

²This is the proper spelling for the name of the city although the railroad company has persisted in using an "x" instead of a "j" in the same name.

terminate the progressing revolution. However, before the United States had time to decide on a policy, the Honduran Congress refused to ratify the loan convention, so Davila's hopes for the stable government were lost. Davila resigned, and Bonilla was permitted to appoint Francisco Bertrand as provisional President.¹

The American State Department tried to continue with the loan negotiations, but the United States Senate would not ratify the plans. By this time, Manuel Bonilla had become president of Honduras. He too balked on the loan contracts, so the agreement lapsed.

Bonilla and Bertrand were not adverse to the idea of securing loans, but they were desirous that their friend Sam Zemurray should be the one to obtain them. Zemurray was not only a banana merchant, but he was in pursuit of loan commissions as well. Through New Orleans bankers he secured an agreement for a half million dollar preliminary loan, to be followed by another ten million. Honduras promptly ratified the plan. The money delivered was used to defray the expenses of the revolution of 1911, and it is quite possible that a large share was turned over to Zemurray to reimburse him for his aid to Bonilla. Despite Zemurray's assistance, the ten million dollars never was loaned to

¹Ibid., pp. 210-212.

Honduras because the bankers felt the loan could not be properly secured by Honduras. Zemurray, on the other hand, was able to negotiate very valuable banana concessions from the friendly Bonilla Government.¹

The British bondholders had to wait until 1926 to achieve their financial settlement with Honduras, but Zemurray's power in Central America was greatly strengthened and consolidated through his sponsorship of Bonilla in the revolution of 1911.

Why should Central American governments appear so eager to grant liberal concessions to the fruit companies? Charles Kepner, Jr. and Jay Henry Soothill give an interesting discussion of the factors involved in their book, The Banana Empire, from which the following quotations are taken:

Considering that concessions enable the United Fruit Company and other large corporations to throttle competitors, to control many phases of the life of Caribbean countries, and to escape the payment of numerous taxes, one may well ponder the willingness of Caribbean governments to grant such concessions. Man is politically near-sighted. The immediate advantage of a loan or the spectacular launching of a railway project weighs more heavily with the ambitious politician than the ultimate well-being of his country in the unknown future. Moreover, many a national leader, who may in part realize that this procedure is bartering the nation's birthright of independence for immediate advantages, feels that even so it is a case of Hobson's choice, of making this sacrifice or not having national agriculture or industry developed.²

¹Ibid., pp. 213-216. ²Kepner, op. cit., p. 215.

Officials and higher employees of the fruit companies know how to play the host in their homes, in clubs, or at large gatherings. On such occasions as when the United's Costa Rican manager took thirty-two congressmen on a tour of the banana regions, ending with a banquet on one of the ships of the Great White Fleet, and when other company representatives conducted a sightseeing expedition for Chamorrista deputies to the radio station outside Managua, congeniality, food and 'nectar of the gods' have conditioned attitudes receptive to the pleas of the company.¹

The usual threat is that if a particular country will not accede to the company's demands the latter will pull up stakes and carry on its activities in other, more congenial lands. In 1928 Norman E. Sanderson, trying to secure favors from Guatemala, announced that the company had offers to expand in two countries of South America; five years later the rumor circulated in Columbia that owing to labor difficulties the company would abandon the latter country and concentrate on Central America. Even the possibility of removing to Africa has been held over the heads of unruly Central American deputies. That the United Fruit Company in extreme instances could reduce its activities in accordance with such threats is indicated by the following excerpt from its Annual Report for 1908:

'The location and extent of the Company's development work is and will continue to be influenced by the attitude of the respective governments in which the properties are located, and governmental interference or cooperation, as the case may be, is a factor in the determination of the locality in which development of the business shall be carried on. The geographical distribution of its properties enable the company to act with patience and firmness in its dealings with the governments.'²

IV. THE UNITED FRUIT COMPANY AND MONOPLY

In a civil action filed in New Orleans the week-end

¹Ibid., p. 219.

²Ibid., p. 222.

of July 4, 1954, the Department of Justice charged the United Fruit Company with throttling competition in the banana trade in Central America. The anti-trusters asked for some kind of a break-up of the half-billion dollar empire of United Fruit--the largest business enterprise in Central America.¹ The Justice Department is not without evidence as once again an attempt is being made to ascertain the fact that the United Fruit Company has operated a monopoly in Central America. At the time of the writing of this study, a decision had not as yet been reached in the case, but a brief survey of possible charges will aid the reader in understanding why the court action is being taken.

From the very start the United Fruit Company appeared determined to dominate the banana trade in Central America. In Costa Rica, the United attempted control of the Atlantic Fruit Company by the purchase of a sizable block of its stock. The Atlantic brought suit against the United under the anti-trust laws but was unsuccessful. The United then used methods of doubtful legality and forced the Atlantic from the Costa Rican banana trade. Banana companies soon became subsidiaries of the United on the Pacific coast as well. Soon the United Fruit Company stood alone as a dominant banana buyer in Costa Rica.

¹"Oil on Fire," Business Week, (July 10, 1954), 128.

In Guatemala, the United Fruit Company controls the railroads and all the port facilities in the midst of the banana regions, so it has been almost impossible for competing fruit companies to enter that nation. In Honduras, where lands are the most suitable for the cultivation of the banana industry, two firms have been successful competitors with the United Fruit Company--the Cuyamel and the Standard. The Cuyamel and the United, however, chose to unite their forces in the lucrative business. The Standard and the United appear to be happy to exist as friendly rivals rather than try to exterminate each other. It is believed by some Hondurans that the United has not tried to eliminate the Standard Fruit Company from competition, for as long as Standard has a share of the banana business the United cannot be accused of operating an absolute monopoly.

In the realm of transportation there exist other factors which in the opinion of some are valid reasons for the charges of monopoly. In Central America, the United Fruit Company owns 895.25 miles of railroad lines. These lines are to be found in three countries and the total milage may be broken down as follows: Guatemala, 176.55; Costa Rica, 323.31; and Honduras, 395.39.¹ The United Fruit

¹Annual Report for the Year 1954 (Boston: United Fruit Company, 1954), p. 11.

Company and the International Railways of Central America (which is considered by many to be a subsidiary of United) control almost exclusively the railroad facilities of Central America. Since the purchase of the Cuyamel Fruit Company, the United Fruit Company operates all the Honduran railroads, except a few short lines that are operated by the Standard Fruit Company.¹ In Costa Rica, the United Fruit Company operates all the railroad facilities between the Central Plateau (which contains the four leading cities and most of the population) and the Caribbean coast.²

Also in the field of transportation, the United Fruit Company controlled most all of the ships that visit the ports of these mid-American countries. In statistics published by the company we note that United Fruit's "Great White Fleet" is composed of sixty-four vessels that very adequately handle the banana business of the Caribbean area.³ Nine of the largest ships each have a capacity of 80,000 stems of bananas (at about 150 bananas to the stem, well over ten million bananas). Most of the other ships can carry about 50,000 stems each. These ships travel as fast as many

¹Kepner, op. cit., p. 155.

²Ibid., p. 170.

³Annual Report for the Year 1954 (Boston: United Fruit Company, 1954), p. 11.

passenger liners (16 to 19 knots), and their hulls are so constructed that the delicate fruit is not injured even in heavy storms.¹

In a period of between ten and twenty days bananas must be harvested, shipped several thousand miles, ripened, and then sent out to thousands of grocers where they are offered for sale. The fruit company that owns its own railroads and steamships has the definite advantage. Since the United Fruit Company has its own vast transportation system in Central America, and since it has not been willing to permit its competitors to utilize its facilities unless prohibitive rates are paid, it is perhaps easy to see some reasons for charges of monopoly.

The United Fruit Company has had other advantages which newer and smaller firms cannot expect to attain. The United and its subsidiaries came into Central America when the small nations were very eager to secure communication systems. To induce the introduction of foreign capital, generous concessions were given to the United in exchange for promises of railroad construction. Thus at the very start the local governments hesitated to offend the United, for this firm offered the source of employment to more of

¹Transportation and the Banana, (New York: United Fruit Company).

their nationals than any other organization, and the salaries paid them amounted to millions of dollars annually. As a consequence, the United Fruit Company can bring pressure to bear upon the proper government officials so that competing concerns cannot secure the necessary permits to start new enterprizes in the fruit business.

Operations in Honduras have been relatively safe-- as well as profitable. The two firms, the United Fruit Company and the Standard Fruit Company, dominate the nation. United employs approximately 25,000 men and Standard 11,000. Their combined payroll reached nearly \$25,000,000 in 1953. The labor situation has made Honduras an employer's paradise, for up until the present there have been no labor unions or labor legislation. (Attempts are now being developed to change this situation.) The President of Honduras, until December of 1954, Juan Manuel Galvez, was formerly a United Fruit Company lawyer. United and Standard have carefully nourished this desirable position by paying higher than average wages and by providing good housing facilities. United has invested millions in the country and is securing a big return. Before the floods and strikes of the summer of 1954, each week the United Fruit Company was shipping 225,000 stems of bananas to the United States. These bananas would be valued at around \$1.4 million

per week.¹

It appears significant that the suit brought against the United Fruit Company in which it is charged to be a monopoly, came on the heels of the Guatemalan Revolution of June, 1954. A very interesting comment upon the political implications of this suit is reported in the July, 1954, issue of Business Week.

For the United States Government, the suit offers a disclaimer of Latin American charges that Washington backstopped the Guatemalan revolution in order to save Unifruitco, hard-pressed by the Communists there. The State Department and the antitrusters in Justice insist the suit is 'sheer coincidence,' a long time brewing. But it's no secret that State officials hope the suit will convince at least some Latin Americans that concern for the fruit company isn't the only determinant of our policies in Middle America. Privately, government people feel that U. S. economic and political relations, as well as U. S. business interests, will be better served if the suit results in more companies and more competition in the banana trade.

.....

The suit has given the appearance of U. S. sanction to Communist and nationalist charges that the United Fruit Company is a grasping Yankee monopoly.²

A breakup of the firm asked by Justice Department antitrusters would have important effects on the four Central American countries in which it operates, indeed throughout the whole area. There are political implications too--for Unifruitco is a prime focus of

¹"Banana Battle in Honduras," Business Week, (May 22, 1954), 166.

²"Oil on Fire," Business Week, (July 10, 1954), 128.

anti-Yankee and Communist sentiment.¹

In the Annual Report for the year 1954, President Kenneth H. Redmond of the United Fruit Company recognizes the problem which this suit has brought and as a consequence, some caution is displayed in regard to further investments in Latin America. Yet, he appears to feel that the suit will fail. A pertinent part of his report is here given.

The complaint attacks the extent of the Company's plantations, wharves, railways, and other properties and operations in Latin America, alleging that by virtue of its large production and importation the Company monopolized the banana trade. Since the Company is under attack because of the extent of its developments in Latin America, prudence requires that the Directors of the Company give very careful consideration to the investment of the stockholders' money in the further expansion of banana production in the tropics until the legality of the Company's present situation has been established beyond doubt.

The trial of the lawsuit by a small group of stockholders of the International Railways of Central American continued intermittently during 1954 and is currently in progress. Counsel remain of the opinion that the suit is without merit and expect that a decision in this case will be handed down in 1955.²

Samuel Zemurray, who is now chairman of the Executive Committee of United Fruit, gives a defense of the size of his corporation in the January, 1945 issue of the Atlantic Monthly.

¹"More Than Bananas and a Canal," Business Week, (July 17, 1954), 116-118.

²Annual Report for the Year 1954, op. cit., p. 6.

On the afternoon of June 2, 1944, a rising wind blew in from the Pacific over the west coast of Guatemala. As it mounted to gale proportions, banana plants loosely rooted in rain-sodden soil started to fall. The top-heavy weight of hundred pound stems of bananas pushed against the nearest plants, and these fell in turn, pushing against the next row. So, like collapsing cards, the plants went down. After one afternoon and night of such wind, we surveyed the damage at our Tiquisate division. Nearly a million and a half 'available' banana plants (those with fruit at or nearing the harvest) were destroyed. Another 2.3 million, not yet 'available,' were down. Strewn like green straws over 18,000 acres of plantation lay a total of 3.7 million plants, either bearing or soon to bear a valuable food product.

Unusual? Not at all. Banana cultivation not only faces natural enemies such as wilt, but is subject to all the hazards of agriculture. Drought, flood, hurricane, or even a fairly high wind can wipe out whole sections, as I have just related, while plantations elsewhere go unscathed. So far it has never happened that all our crops have been destroyed in any one year.

I mention this because it has a bearing on the size of companies engaged in the banana industry of Middle America. Limited to a single division such as Tiquisate, a producer would be wiped out by a blowdown like that of June 2. If disaster came to one production region, there must be others to make up the deficiency. If ships cannot load in one country or can obtain but a partial cargo, there must be others where they can load or fill out the cargo in order to maintain the economic flow of supplies.

Our fruit is consumed in the United States, Canada, the British Isles, and normally in continental Europe, as well as in the Middle and South America. Transportation to a world market of a tropical food product such as bananas requires a fleet of fast, specially designed, refrigerated ships. Distributing this fruit calls for an organization that can handle a perishable commodity in any kind of weather.

.....

Modern tropical agriculture is a major undertaking. To conduct it on a scale adequate to grow and transport food products to great markets, to pay good wages, to banish deadly human disease, to conduct research in the never ending war against plant enemies, to carve new land from jungles and swamps, to develop new crops for the betterment of farmers big and small, requires sizable enterprise.¹

Among Washington officials, the concensus seems to be that the United Fruit Company will not be forced to give up any portion of its banana business. "You have to be big, well-integrated, and well-heeled to ride the bumps."²

V. THE UNITED FRUIT COMPANY AS A BUILDER OF CIVILIZATION

The chief aim of the United Fruit Company is to earn a profit for its stockholders. Nevertheless, in many fields of endeavor, civilization, as it is known in the North American sense, has been greatly advanced in Central America through the efforts put forth by this giant fruit company.

Hospitals and Medical Work. The United Fruit Company early recognized that a healthy employee was an asset. Therefore, it was in the Company's interest to establish a medical system that has come to be one of the great tropical programs of the world. Today, the United Fruit Company has in the

¹Samuel Zemurray and John Terry, "New Crops for the New World," Atlantic Monthly, CLXXV (January, 1945), 101-102.

²"More Than Bananas and a Canal," op. cit., p. 118.

tropics fifteen major hospitals and over a hundred outlying dispensaries. Scores of sanitation squads and traveling nurses are combating all types of tropical diseases, and setting health standards that would profit all Latin America to follow. These hospitals are not only for the employees of the United Fruit Company, but for their families and other nationals that live in the area.¹

The hospitals established by the United Fruit Company at La Lima in Honduras may be taken as an example of what is being done in the medical field.

At La Lima, the hospital was first built in 1921, but the original structure was replaced by a modern one in 1951. The new hospital is a fireproof structure of concrete block with a stucco facing. It is located in the center of the Company operations, and the land about it is attractively landscaped. Dr. Rafael Martinez, a citizen of Honduras and a member of several medical associations (including the American Society of Tropical Medicine), is in charge of the hospital.²

With a capacity for three hundred bed patients, the hospital is staffed by approximately three hundred, including

¹Background Data on United Fruit Company in Middle America (New York: United Fruit Company), p. 4.

²Sidney Wallach, Honduran Hospitals Serve Their Communities (New York: United Fruit Company), p. 2.

nineteen staff doctors, six interns, fifteen North American nurses and some twenty-four graduate Latin American nurses. The staff includes dietitians, laboratory and x-ray technicians and attendants, cooks, laundry employees, gardeners, and others. Also, the hospital operates an outpatient department which serves about 350 patients a day.¹

The hospital statistics are impressive. During the year 1951, the latest year for which figures are available, the hospital treated 9,481 bed patients. Of this total only 3,705 were employees of the United Fruit Company. Dispensary patients for the same year came to 92,776 employees, plus 125,882 employee dependents and others outside the Company organization. Also in 1951, the surgical department provided 334 major and 5,340 minor operations. Total hospital days amounted to 57,630.²

In its malaria control program, 16,412 examinations were made. In the preceding year, 23,069 persons were vaccinated. Plans are being developed to advance the health standards in the country as a whole. Comprehensive health services are contemplated with a view to early detection and care in disease.³

Programs such as this are being carried out in fifteen medical centers of the Caribbean sector. Dr. Edward

¹Ibid.

²Ibid.

³Ibid.

Salisbury, head of the medical department of the United Fruit Company, sums up the program by stating:

The United Fruit Company is justly proud of its medical and sanitary programs and feels that its survival for fifty years is proof that the physical and moral welfare of the worker is not an imponderable asset; rather, it is one which tips the balance toward successful business and builds new economic structures in the countries in which it operates.¹

The medical program of the United Fruit Company has not been free from criticism. It has been charged that, while it is true that the employees of the Company receive free medical care in the hospitals, it is also a fact that a definite race prejudice exists. It has been stated that native Central Americans are usually treated in wards, whereas Americans are placed in private rooms. Should an American need treatment that the hospital cannot give, then he is sent to the United States for the necessary care. A national is not given the privilege of treatment in a United States hospital, even when it may be necessary from the medical standpoint.² This point of distinction has been a constant source of friction.

¹Ibid., p. 4.

²During a personal interview with an individual who has held a responsible position with United Fruit for fourteen years, this practice was declared to be existent. The name of the witness is withheld to protect his present position.

Schools. In each of the countries where the United Fruit Company has an established organization, it has a wholly-supported school system. The teachers are mostly nationals and are paid directly by the Company. The curricula in each area are in strict accordance with national policy. Thousands of children reap the benefits of this schooling.¹ On the whole the school system of the United Fruit Company appears to be quite well accepted, for the Government schools are quite inadequate.

Radio. Early in the history of the United Fruit Company the necessity for wireless communication was noted, and as a consequence, radio communications were soon established. This radio network was used to coordinate tropical harvests with ship movements and the needs of the northern markets. As was true in the case of the hospitals, this service soon came to be a servant of the public. Today this radio network is known as the Tropical Radio Telegraph Company and is a wholly-owned subsidiary of the United Fruit Company. It not only serves the interests of the parent organization, but affords a highly efficient radio-telephone and radiotelegraph service for all Middle America. Another service that recently has been added provides the modern teleprinter service.²

¹Background Data, op. cit., p. 7. ²Ibid., pp. 4, 5.

Passenger and Freight Service. The Great White Fleet of the United Fruit Company was obviously created to serve the interests of the fruit industry, but it too has developed into a vital service for the people of Central America. These vessels have moved to the Caribbean area countless tons of manufactured products, and at the same time, they have provided first class accommodations for an ever increasing number of tourists. During 1954, the ships of the United Fruit Company carried 1,453,486 tons of cargo to Middle America. In the same year, the ships carried 15,351 passengers to and from the same area. Needless to say, the Great White Fleet has made a tremendous contribution to the economy of Central America.¹

A Promoter of Tropical Agriculture. One often thinks of the United Fruit Company as a producer and distributor of only bananas, but this is far from being correct even though the banana is the only fruit that is sold through its organization. In 1954, the Company had 603,111 acres of land for its use in its entire field of operation. For the production of bananas, only 136,220 acres were used. The remainder of the acreage was used as follows: sugar cane, 99,313 acres (all in Cuba and Jamaica); cacao, 34,745

¹Annual Report for the Year 1954, op. cit., p. 1.

acres; abaca, 20,553 acres; oil palm, 19,745 acres; and other crops, 292,535 acres.¹ Three of the crops mentioned have been first produced and developed on a commercial scale by the United Fruit Company in Central America.

In 1942, when the Japanese had blocked off from the Allies all sources of Manila hemp, the United Fruit Company was able to provide from its experimental farms the seeds to start plantations for the propagation of the plants that produce this vital fiber, from which rope and other cordage is manufactured. Within two years, 28,000 acres of abaca, from which Manila hemp is made, were flourishing in Middle America. This project was conducted by the United States Government, but under the management of the United Fruit Company. For the first seven years of the project, the Company made its land and facilities available without charge. Since 1949, the projects have continued, largely in Costa Rica, Honduras, and Guatemala, and the Company receives from the American government a nominal management fee for its services.²

In more recent years, the Company has been able to extensively develop the African oil palm. Under Company direction and development, palm oil today is furnishing the

¹Ibid., p. 11.

²Background Data, op. cit., p. 6.

resident of Central America with a superior grade of vegetable oil for cooking and for the manufacture of soap. The greater portion of these palms are found in Costa Rica and Honduras.¹

Another crop that is becoming an important factor in Middle American economy is cacao, the plant from which chocolate is made. It has passed the experimental stage and is becoming a basic crop. About 28,000 acres of cacao are to be found in Costa Rica.²

Diversification of Crops. It has been to the Company's advantage to have more than one crop in Central America. Bananas are too often subject to storm, floods, diseases, and other disasters. For example, in the past when Panama disease would infest one of the plantations, the Company would tear up its railroads and move out, abandoning the fertile land that had been cleared from the jungles. Frequently, when the Company moved out the people followed. However, at the present time new and diversified crops are being planted on the same land. Many times the land is eventually turned over to the natives after they have been taught to utilize it in the production of the new

¹Ibid., p. 6.

²Annual Report for the Year 1954, op. cit., p. 11.

crops. The natives in turn can sell the products to the Company. Abaca, cacao, and oil palm are the major crops that have thus been introduced.¹

It is worth noting that these new crops that are being introduced to Central America are not in any way suited to the climate of the United States or Canada and therefore are not competing with any of our North American agricultural products. The United Fruit Company is of the opinion that diversified crop production is a partial solution to the Central American economy. Sam Zemurray explained the United's position as follows:

In 1942 the directors of the United Fruit Company adopted a statement of policy which gave formal expression to the program of utilizing the company organization and tropical resources to assist the native population in growing diversified food products 'without expectation other than good will from friendly neighbors' in the interest of a balanced Middle American economy based on a contented, prosperous agricultural population.²

The Pan American School of Agriculture.³ In 1941, the United Fruit Company established the Pan American School of Agriculture on the Hacienda El Zamorano, located about twenty-five miles southeast of Tegucigalpa, Honduras. The

¹Zemurray, op. cit., p. 102.

²Ibid., p. 102.

³Escuela Agricola Panamericana, (Boston: United Fruit Company).

property of the school contains over 3500 acres, of which about 1000 acres are arable. The Honduras Government was paid about \$35,000 for the land, and with the buildings and improvements, the school now represents an investment of about a million dollars. The cost of operating the school is at present estimated at about \$225,000 per year.

The boys who attend the school may come from any one of the Middle or South American Republics. Entrance is based upon competitive tests that are given to the 300 to 500 that apply each year. The school is in no sense a training ground for Company employees. Each student is expected to return to his own town or village, where he is well qualified to raise the standard of living in his community.

This free three-year course deals with all phases of tropical agriculture--with one exception. It does not teach the cultivation of the banana. The studies are intensive and deal with subjects such as dairying, butchering, tree grafting, and the production of all sorts of tropical products that can be grown in Middle America. Many of the graduates go into government service; others become teachers or go into agricultural extension work; still others, who are very well qualified are sent to the United States on scholarships for further training.

The "Escuela Agricola Panamericana" (Pan-American

School of Agriculture) is perhaps one of the greatest goodwill builders that the United Fruit Company operates in Central America.

Contribution to Middle American Economy. The influence of the United Fruit Company is perhaps noted in the direct financial contribution that it has made to the countries in which it operates. Given in Table I is a detailed account of how the United Fruit Company has contributed to the economy of Middle America. These statistics include some countries that are not in Central America. Data relating only to the Central American countries were not made available to the author.

VI. NEW CONTRACTS RECENTLY ARRANGED WITH COSTA RICA AND GUATEMALA

Time Magazine in the issue of June 7, 1954, reports the new contract that was drawn up between the United Fruit Company and Costa Rica:

Terms: The Company will pay a 30% income tax (twice the current rate), surrender its present exemption from customs duties on about half of its supply imports, and turn over to the state its 70 hospitals, schools, and other social service centers, with the state to support them in the future. President Jose Figueres, well pleased, calculates that the government will get 42% of the company's profits under the new deal. Central Americans now feel that the company may offer much the same terms to Honduras . . . and Guatemala.¹

¹"Bright Spot in Coata Rica," Time, LXIII (June 7, 1954), 41.

TABLE I

THE CONTRIBUTION OF THE UNITED FRUIT COMPANY TO NATIONAL
ECONOMIES OF COLUMBIA, COSTA RICA, CUBA, DOMINICAN
REPUBLIC, ECUADOR, GUATEMALA, HONDURAS,
JAMAICA, NICARAGUA, PANAMA FOR
YEAR 1953*

Paid to Governments

Income Taxes	\$ 8,170,886.36
Export Duties	1,033,569.94
Import Duties	2,637,926.95
Other Federal Taxes	5,545,637.96
Municipal Taxes	439,370.40

Total Paid Governments \$ 17,827,391.61

Paid to Individuals

Pay Rolls	\$ 73,286,706.64
Merchandise Local Purchases	11,209,889.61
Material Local Purchases	8,298,435.83
Rental Paid	404,752.67
Ice, Fuel and Power Purchased	264,111.59
Transportation--Railway	3,046,811.97
Transportation--Air	217,370.36
Transportation--Other	122,423.59
Bulls Hauling Cane	91,083.62
Sugar Cane Purchased	1,268,133.24
Cacao Purchased	199,711.79
Abaca Purchased	12,039.10
Rice Purchased	129,084.14
Corozo Nuts Purchased	16,428.71
Oil Palm Purchased	30,162.08
Bananas Purchased	6,779,158.92

Total Paid Individuals \$105,376,303.86

GRAND TOTAL \$123,203,695.47

*Taken from, Background Data, op. cit., p. 10.

Business Week, in the edition of January 1, 1955, gives a similar review for the agreement that later was made with Guatemala.

United Fruit Company, sorely pressed during 1954 by Reds and revolutions, anti-trust proceedings, and expropriation, signed its new contract this week. All seemed sweetness and light between the big banana company and the revolutionary government in Guatemala City.

President Carlos Castillo Armas' regime gets 30% of the company's yearly profits in taxes, retroactive to January 1, 1954 (about \$700,000).

The Guatemalans have agreed to return all lands expropriated, and to abandon proceedings for taking over further acreage (the total involved was close to 400,000 acres). For its part, Unifruitco will turn over to the government upwards of 100,000 acres in the Tiquisate area of the West Coast. For the future, the company plans to concentrate on new developments in the east, in the Atlantic province of Bananera.¹

In the Annual Report for the Year 1954, the President of the United Fruit Company stated:

The government of Honduras has been advised that the Company is willing to renegotiate its contract with the country along the lines of the new contracts that have been signed with other countries, and it is expected that negotiations on this matter will begin in 1955.²

President Redmond of United Fruit further stated:

All the major problems which the Company has had to meet in recent years in various Latin American

¹"New Deal in Guatemala," Business Week, (January 1, 1955), 53.

²Annual Report for the Year 1954, op. cit., p. 5.

countries where it operates have been satisfactorily settled. The Company's relations with the governments and peoples of these countries are excellent and the Company looks forward to a period of favorable operating conditions in all of these countries.¹

An examination of sentiment in Central America indicates that this statement is somewhat optimistic.

The reader can secure a brief estimate of the economic status of the United Fruit Company and its operations by giving careful attention to Tables II, III, and IV. All of these statistics are taken directly from the Annual Report for the Year 1954. It is to be noted that the earnings of the Company dropped in the year 1954 as compared to the year 1953. In the Annual Report this is explained as resulting from depressed market conditions in the raw sugar industry, and unfavorable conditions in Honduras. During 1954 Honduras suffered from hurricanes, devastating floods, and a general strike that lasted some ten weeks. As a consequence shipments from that country decreased from 8,500,000 stems in 1953 to 4,800,000 stems in 1954. Otherwise, these statistics present a generally fair appraisal of the assets of the United Fruit Company.

¹Ibid.

TABLE II

THE ECONOMIC STORY IN BRIEF FOR THE YEAR 1954 FOR
THE UNITED FRUIT COMPANY

	Year Ended			
	<u>December 31, 1954</u>		<u>December 31, 1953</u>	
	<u>Per Share</u>	<u>Amount</u>	<u>Per Share</u>	<u>Amount</u>
Net earnings . .	\$3.58	\$31,459,780	\$5.07	\$44,556,464
Dividends declared	\$3.00	\$26,324,991	\$3.50	\$30,712,489
Retained in the business . . .	\$.58	\$ 5,134,789	\$1.57	\$13,843,775
Number of stockholders . . .		71,954		68,463
Total number of shares out- standing		8,775,000		8,775,000
Number of Company-owned vessels (all fleets) . . .		64		65
Nautical miles steamed . . .		5,115,811		5,082,502
Total freight movement, in tons (other than Company products)		1,453,486		1,653,400
Number of passengers carried		15,351		15,909
Number of Company-owned radio stations (afloat and ashore).		73		74
Number of tropical employees		81,958		96,353
Other employees		10,335		10,302
Net investment in Europe .		\$23,682,603		\$21,675,409

TABLE III
FIXED ASSETS OF THE UNITED FRUIT COMPANY
AND SUBSIDIARIES

	<u>Investment</u>	<u>Accumulated Depreciation</u>	<u>Book Value</u>
Lands	\$27,723,868	\$11,852,746	\$15,871,122
Houses and buildings	60,254,930	30,996,811	29,258,119
Cultivation	89,249,187	38,598,282	50,650,905
Equipment	84,049,788	41,702,723	42,347,065
Railways and tramways ^a	57,150,171	27,110,376	30,039,795
Wharves, boats, etc.	4,983,263	2,957,932	2,025,331
Sugar mills and refineries ^b	22,701,455	15,864,384	6,837,071
Steamships	92,771,997	44,911,112	47,860,885
Livestock ^c	4,131,378		
TOTAL	\$443,016,037	\$213,994,366	\$229,021,671

^aIncludes roadway, track, and rolling stock.

^bIncludes buildings and equipment.

^cCattle 50,980
Horses and mules 17,552
Other animals. . 122

Total 68,654

TABLE IV

IMPROVED ACREAGE AND RAILWAYS OWNED AND OPERATED BY THE UNITED FRUIT COMPANY

	<u>Bananas</u>	<u>Sugar cane</u>	<u>Cacao</u>	<u>Abaca</u>	<u>Oil Palm</u>	<u>Other</u>	<u>Total</u>	<u>Railways</u> (Mileage)	<u>Tramways</u> (Mileage)
Columbia	6,819				500	9,296	16,615	15.83	1.08
Costa Rica	37,347		27,017	8,218	9,837	30,968	113,386	323.31	85.57
Cuba		95,040				59,056	154,096	329.07	
Dominican Republic	4,183					6,484	10,667	34.80	
Ecuador	7,823		4,645			5,743	18,211		51.88
Guatemala	19,554			4,903	1,351	49,581	75,389	176.55	43.14
Honduras	26,179			5,096	5,164	83,496	119,935	395.39	4.69
Jamaica	1,632	4,273				910	6,815	22.81	
Panama	24,916		3,083	2,336	1,504	34,516	66,355	194.92	7.90
Other	7,767				1,389	12,485	21,641		64.21
TOTAL	136,220	99,313	34,745	20,553	19,745	292,535	603,111	1,492.68	258.47

CHAPTER IV

REACTIONS TO AMERICAN POLITICAL AND ECONOMIC INFLUENCES IN CENTRAL AMERICA

Has the United States been imperialistic in Central America? Has the presence of the United Fruit Company in Middle America had an adverse effect upon the native population? Central Americans have attempted to answer these and many other related questions. The answers that they have given do not reflect unanimity, but nevertheless they have greatly influenced the contemporary Central American's opinion of the Yankee. This chapter has placed a major emphasis upon native reaction to American political and economic influences in Central America. An understanding of this reaction will facilitate the reader in securing a wider grasp of the problems that await a solution.

I. GENERAL REACTIONS TO AMERICAN FOREIGN POLICY

The first major proclamation that officially expressed the United States' policy toward Latin America became notable in that sector for its lack of an understanding of the Spanish American temperament. President Monroe proclaimed the doctrine that later came to be called by his name in the same year that Central America achieved independence from Spain (1823). Central America, as well as the other Latin

American nations, had greatly admired the step that the United States had taken in securing independence from a European power. Even though they did not have to fight for freedom, still the Central Americans were very proud of the fact that they too had become an independent nation as had the United States. True, their government was very unstable and very much in the experimental stage, but nevertheless the Central Americans considered themselves to be sovereign. However, at the very time that they were beginning to recognize the possibilities inherent in an independent status, the Monroe Doctrine was announced by the United States. Many felt that the Monroe Doctrine was designed to prohibit the entrance of European powers into Latin America so that the United States might have a free hand. The motive of the United States may have been well understood by the North American people, but in Latin America a negative reaction became evident.

Perhaps the basic reason for Central Americans' dislike of the Monroe Doctrine was that it was unilateral. The Latin Americans have a great regard for the personal dignidad or dignity of the individual. At the same time they love discussion. Before any matter of importance is undertaken, they sit down and discuss that situation at great length. If this is not done, the dignidad of the individual or individuals may be deeply offended. In this respect the

Monroe Doctrine in no way mentioned the possibility of the United States discussing any situation with the Latin American nations. The Doctrine simply declared that the United States would do thus and so if the European powers acted in certain ways. The nations whose destinies were involved were not to be consulted. This was an insult to Latin American dignity.

Another failure to recognize the dignity of the nations involved is seen in the fact that the United States had taken upon herself the role of the protector of the Western Hemisphere. The Latin American nations were young and very sensitive about their power (or lack of it). With the proclamation of the Monroe Doctrine, in their opinion the United States was saying, "Latin America is not capable of protecting itself, therefore, the United States will take up the task of becoming the protector of the Western Hemisphere." This supposed attitude was resented (as uncomplimentary) by the newly independent nations to the south of the Rio Grande River.

With national feelings thus injured, the people of the Latin American area were unable to see the benevolent aspects involved. They thus began to look for other motives, and as a result, "the southern neighbors were led to believe that the Monroe Doctrine was only an instrument to fence off the imperialism of Europe from regions which the United

States intended to appropriate for itself."¹

This dislike and distrust for the Monroe Doctrine was made manifest on many occasions during the American diplomatic relations with Latin America and especially in the Caribbean sector. This distrust was prominent with respect to President Theodore Roosevelt's famous "Corollary" to the Monroe Doctrine. The objection to it was that it also was unilateral, not inter-American. While it prohibited European intervention in Latin America, it claimed for the United States the right to intervene in situations when in its opinion "chronic wrong-doing" made intervention a necessity. Roosevelt's Corollary ushered in a quarter century of "benevolent imperialism." However, the Latin Americans tended to see the imperialism rather than the benevolence.²

The role of protector or big-brother is never a popular one. Basically, the protector is saying "I am stronger than you. You are weaker than I. Therefore, I will protect you." The ones that are being shown such kindness are made to feel inferior. No one likes to be made to feel inferior. This is doubly true of Latin Americans,

¹Samuel Flagg Bemis, The Latin American Policy of the United States, (New York: Harcourt, Brace and Company, 1943), p. 385.

²Arthur P. Whitaker, "The United States in Latin America Since 1865," Current History, XXVIII (March, 1955), 155.

for they are noted for their personal pride. The United States has striven to preserve peace in the Caribbean area, has attempted to keep footholds from being secured by foreign powers and has sought to teach them a democratic way of life-- but all with a rather paternalistic attitude.

In commenting upon American imperialism in the Caribbean area in the 1920's, the Nation describes the general attitude of the Americans as thus: "We are in the Caribbean for the moral and physical welfare of 'our wards'; we are there to teach them how to govern themselves with excellence and efficiency, and we are doing it for their ultimate good."¹

By means of formal and informal interviews with natives of Central America, some of whom are high in their political positions, the author has been able to secure many and varied opinions concerning the theme before us. A typical reaction was secured from one of the Honduran consuls, who worked with El Departamento de Relaciones Exteriores, which is the State Department of Honduras. He clearly declared,

Why it is that most all of the past intervention of the United States Government was found among the smallest countries? Of course we cannot fight against the United States, we know it, and the United States also knows it. Do they pick on us because we are so small? How many times have American marines

¹"Our Caribbean Imperialism," The Nation, CX (February 21, 1920), 226.

been landed in Brazil or Argentina? They have had revolutions and very unstable governments, but the United States has not intervened to bring them a so-called peace. Our little nations here in Central America are small, but they also are independent. We don't like to be bossed by the United States just because we are small.¹

This declaration does not take into consideration the geographical location of the various nations involved in respect to the United States and the Panama Canal, but nevertheless it does definitely reflect the attitude that Yankee intervention has been a source of difficulty and hard feelings.

Another typical Central American reaction to the Yankee intervention that immediately followed the First World War was given by a Latin American, Dr. Joseph M. de los Reyes, on July 1, 1949, before the Institute of World Affairs, held at Los Angeles, California.

We sent our Marines to Haiti and Nicaragua, and exacted payment of debts from the Latin-American countries, while we forgave the billions that Europe owed us.²

This attitude has been so very difficult for our Central American friends to understand. They have not been able to comprehend why the United States has actually entered

¹Statement by a Honduran Consul, personal interview.

²Joseph M. de los Reyes, "Latin American Dynamite and the Stupidity of U. S. Foreign Policy," Vital Speeches, XV (September 15, 1949), 727.

some of the small Caribbean nations, and administered their customs and finances, so that debts could be paid to foreign powers. Yet at the very same time the European powers who were being repaid the debts from Latin America owed the United States billions, and the American government was not using armed force to see that their own money be repaid. Once again the Central American has had the tendency to ask, "Are we being picked on because we are small and can't fight back?"

Conceivably a basic difficulty could lie in the fact that the benevolent motive of American policy has never been appreciated. It may well be that intervention of the United States prevented similar action with much more drastic results by European powers. Such a possibility is a foundation for misunderstanding.

Dr. Joseph M. de los Reyes makes another very interesting comment for one of Latin American extraction, when he speaks of certain phases of the Latin American policy of the New Deal.

A gigantic W. P. A. was created; we began to buy, or at least attempt to buy, Latin American friendship, not realising that the easiest way to lose a friend is to lend him so much money, he is unable to repay it.¹

This criticism may be somewhat unjustified, for many

¹Ibid.

of the Latin American nations, especially in Central America, are extremely poverty-stricken in regard to available capital, and foreign capital is being used to a wonderful advantage. However, it is true that once again the inferiority of the Latin American is emphasized when it becomes necessary for him to accept financial assistance from the United States.

Inasmuch as the countries of the Caribbean are in such close proximity to the United States, there is a tendency on the part of these nations to want to keep the good favors of the "Big-Brother." They realize that at any time if the American government were to boycott them economically, or withhold political recognition from their countries, that they would suffer tremendously. Therefore, whether they favor it or not, they want to keep in the good graces of the United States. It is perhaps for this reason that the United States minister in these countries has such a tremendous influence.

Samuel Guy Inman, one who has spent much time in the region under discussion, states,

In the Caribbean countries especially, the word of the American minister is the most important factor for any government to consider. It is impossible for anyone who has not come into close contacts with these countries to realize how completely their governments are held in the hollow of the hand of the State Department at Washington.¹

¹Samuel Guy Inman, "Imperialistic America," The Atlantic Monthly, CXXXIV (July, 1924), 110.

A casual observer of the situation might surmise that, as a result of Latin American resentment against the foreign policy of the United States our diplomatic program as a whole would be looked upon with disfavor. This is not entirely correct.

The Latin Americans do consider the North Americans to be Americans. In regard to hemispheric matters, frequently, especially in past years, the foreign policy has been criticised, but this is a family matter. True, the "Big Brother" may not always be admired when he tries to boss the family, but when an outsider gets into a dispute with the "Big-Brother," the "Little-Brothers" are the first ones to come to help him as they can. History appears to indicate that the Pan American nations often are disagreed at home on family matters, perhaps not so much officially as unofficially, but in a global or world aspect, the majority of the countries of the New World can unite quite quickly when a crisis may arise that is mutual to all.

A vivid example of this type of a situation was revealed at the start of the Second World War.

The Republics of the New World had said at Havana (1940) that any attempt against the territory or sovereignty of one of them should be considered as an act of aggression against all of them. How now would they react when Japan attacked the United States, and her allies Germany and Italy declared war on the United States? How would these nations which had been the scene of United States intervention respond when the Republic of the North

met its time of trial? Would they welcome the discomfiture of the 'Colossus', whom they had regarded as the imperialistic power? Or would they feel that their independence and liberty were bound up with that of their 'alien' neighbor and his Isthmian life-line?

The very countries who had been the 'victims' or closest witness of United States intervention or influence during the decade of protective imperialism, namely Cuba, Panama, the Dominican Republic, Haiti, Nicaragua, Guatemala, Honduras, El Salvador, and Costa Rica, immediately and spontaneously declared war against the enemies of the United States.¹

To summarize, the Latin Americans, including the Central Americans, do not wish to be dominated by anyone--for this cramps their spirit of individualism. They in no way wish to be made to feel inferior--for this hurts their pride and dignity. The United States, largely through ignorance of Latin American characteristics, has violated both of these principles, and as a result American foreign policy in the past has been a source of misunderstanding and difficulty.

II. HAS THE UNITED STATES GOVERNMENT BEEN IMPERIALISTIC IN CENTRAL AMERICA?

This problem is not at all new, but it still is very debatable. Many times throughout the last one-half century, the United States has been declared an imperialistic nation. The time in which the debate perhaps was the most

¹Bemis, op. cit., pp. 372-373.

controversial was during the decade between 1920 and 1930. While it is not the major purpose of this section to discuss public opinion in the United States on the subject, the reader will find it profitable to know some of the ideas that were being publicized.

One leading American who fervently condemned the United States was Samuel Guy Inman. In the July, 1924 issue of the Atlantic Monthly, he stated the following:

In these smaller countries of the South, controlled by our soldiers, our bankers, and our oil kings, we are developing our Irelands, our Egypts, and our Indias.

.....

We are piling up hatreds, suspicions, records for exploitation and destruction of sovereignty in Latin America, such as have never failed in all history to react in war, suffering, and defeat of high moral and spiritual ideals. How can the United States expect to be the exception to the rule?

Run your eyes rapidly down the map and note the countries where the United States is now in practical control. And remember that this control always brings resentment and enmity among the people though their officials may approve of it. Here is the list:

(Mr. Inman lists fourteen nations as having suffered the results of United States imperialism in Latin America. Here are listed only the Central American republics.)

Nicaragua, where we have maintained one hundred marines since 1912, keeping in control a government which--according to the American Admiral in charge--is opposed by eighty per cent of the Nicaraguans, but which is favorable to the American bankers, who, with the approval of the State Department, collect

the customs and own the national bank and the railroad--such a complete control that the country is known throughout Latin America by the name of the bankers who hold these privileges.

Honduras, where the American minister and two American corporations have long been the controlling powers, and where recently marines have been landed for 'protection of American life and property'--the same formula under which they have entered and remained in other countries.

Salvador, where a loan at eight per cent--plus extra charges--has recently been made by New York bankers, which loan is guaranteed by seventy per cent of the customs receipts, collected by the bankers, with the agreement made by the Secretary of the United States that if any differences arise between Salvador and the bankers--he, the Secretary of State--will refer the question to the Chief Justice of the United States, whose word shall be final.

Guatemala, where American bankers control the business, American money is the medium of circulation, and the United Fruit Company and other American financial interests have secured control of the railroads, which now become a part of the International Railways of Central America--the largest American owned railway enterprise outside of the United States.

Costa Rica, where, after thirty years' peace, American oil and financial interests formented a revolution against a reform government and at present largely control the economic life of the country, and often act as brokers for the country.¹

Sumner Welles, also one who has spent several years in Latin America, gives rebuttal to Mr. Inman, and defends American policy for the same period in history. He states in part:

¹Inman, op. cit., pp. 107-116.

After years of personal experience in Latin America, the author is not convinced that this belief (that America is imperialistic) is shared by more than a small proportion of the inhabitants of any of the republics on the Continent.

Although mistakes undoubtedly have been committed, our record in general has been one with which an American citizen may well be content. It has revealed a consistent effort on our part to strengthen the constitutional and stable governments, to develop legitimate commercial relations, and by demonstration and friendly advice, to further the settlement by peaceful methods of international disputes.

The practical task confronting our government is therefore the following: our relations with all the neighboring republics should be those existing between free and independent nations; yet until certain of these countries have developed a firm tradition of orderly, constitutional government, the United States must be prepared to step in and protect the lives and property of its citizens should they at any time be in danger; and it must likewise be ready to assume the responsibility of offering its friendly mediation, or in extreme cases, its friendly intervention, should conditions be such as to threaten a national or an international conflagration which would give rise to a situation wherein the policy of self-protection of the United States, known as the Monroe Doctrine, might be endangered.

The series of revolutions existing in Central America during the past century has forced the United States repeatedly to intervene temporarily in those republics in order to protect the lives and property of its own nationals, and in certain instances, those of other foreigners.

It has been the studied policy of the United States in recent years to cooperate with the Governments of Central America in preventing these causes of chronic disturbances.¹

¹Sumner Welles, "Is America Imperialistic?" Atlantic Monthly, CXXXIV (September, 1924), 414-423.

'Our government has no intrigues, no secret agreements, no hidden policies. And when history fully reveals our relations at this time to our sister republics of this hemisphere, when correspondence and instructions are published, I am happy to say that there will be no page of which any American need be ashamed.'¹

The Independent has stated in part concerning imperialism in Central America:

Whenever Washington finds it necessary to send Marines into one or another of the Caribbean countries, cries of 'Imperialism!' fill the air.

There are the native politicians whose activities have been limited by the landing of the Marines. They see the hated 'Norteamericanos, well-armed, well disciplined, and disconcertingly efficient, landing on the shores of their devoted country, taking full charge wherever they go, disarming native rioters, putting things in their place, and quieting the fears of the populace. These things are to the local politician quite obviously infringements on the sovereignty of his republic and constitute 'militaristic intervention' by the 'Colossus of the North'.'

But being a single-emotion man, he must forget the time a few years back, when his crowd held the offices and themselves called upon Uncle Sam to send Marines to protect their country against revolution. That is just what his opponents are now doing. When his opponents do it, it becomes high treason and a true patriot must work himself into an agony of protest.

If Uncle Sam were actuated by the aggressive motives which his critics ascribe to him, there is no reason on earth why he should not long since have set his southern boundaries along the Panama Canal, or even further south. There is no power which could stop him if that were his will.

¹Charles Evans Hughes, as cited by Welles, Ibid.

The seeker of facts in the Caribbean countries finds no evidence there of Wall Street's financial domination. Their people want, not less money and less economic development, but more. Never a voice is raised against American finance. The complaint against American interference is closely confined to the politicians, and their objection is not to American money, but to American restriction of their nefarious activities.

Another vigorous and unrestrained domestic voice in the chorus of 'imperialism' is the opposition press. Whatever, the true character of our policy toward these minor republics, it has been as consistently followed by the Democrats as the Republicans, and the parties must share the credit or blame for its results.

No one of them has yet reached the degree of political development where a republican government can be maintained against internal or external foes without assistance. Of their people all but a small minority--varying in the different countries--are illiterate and politically incompetent. The only governmental tradition is that inherited from the Spanish colonial days when public office was a private gold mine. Independence has yet brought neither a new tradition, a new experience, nor a new training. All of these decades may well be lengthened into centuries if the exploiting elements among the native population are allowed too free a hand.¹

Samuel Crowther was not satisfied with the opinion of the Americans on the subject of imperialism, so he went directly to Central America. The results of his findings were published in the February, 1928 issue of World's Work. Here he is quoted in part:

I set out to find the American imperialistic eagle. My search ranged pretty much all over

¹Henry Kittredge Norton, "The False Cry of Imperialism," Independent, CXVIII (March 19, 1927), 306-307.

Central America. Though I heard that the bird had been seen, it was always in the next country. And when I came to that country, I found that it had not been there but was quite likely in some other country. Thinking that if any one had first-hand knowledge it would certainly be the presidents of these republics, I saw and talked with all of them. Here is what I saw and what they said.¹

Costa Rica, President Don Ricardo Jimenez:
'There are no American concessions or monopolies, and as long as I have known the affairs of my country, which is a very long time, Americans have never mixed in politics, or had candidates or sought to influence elections, or attempted to exercise any influence outside their own business affairs. They have stood up for their rights, but they have asked no favors. They have received no favors, but I hope they have had their rights.'

'Whatever imperialism may be, it is not here. We do not know it and we never expect to know it.'

Honduras, President Dr. Miguel Paz Barahona:
'Have the American companies or has the American Government done anything that could be classed as imperialistic? Have they interfered in any way with your own sovereignty?' I asked.

'No,' he answered, 'in no way. No American company has ever been in politics, and the few Americans that have even taken an active part in political affairs were acting for themselves: they were 'soldiers of fortune.' They were members of their own parties and did not represent foreign interests. Whenever your government has landed marines it has been for the purpose of protecting property from useless destruction. We are not interfered with in any way, and I feel that the presence of the United States and the Monroe Doctrine, far from being a menace, constitute our greatest protection.'

Nicaragua, President Diaz: 'The only solution

¹Samuel Crowther, "What Imperialism Has Done in Central America," World's Work, LV (February, 1928), 433-444.

that will insure peace for Nicaragua, is an arrangement such as you have for Cuba under the Platt Amendment, which gives you the right to intervene in the case of revolution and also gives a certain supervision over finance.

'There has never been any American imperialism in Nicaragua. It is simply that we have been saved from the worst consequences of our purely sectional wars.'

Salvador, Dr. Peo Romero Bosque: 'I have heard of imperialism, but I cannot say that I know exactly what it means. Your countrymen have built our largest railroad, they have done the improvement work here, they negotiated our loan, and our largest bank is owned by Americans. . . In fact, all our relations with Americans have been very pleasant, and I can see no reason why they should not continue so. We need you more than you need us.'

Guatemala, President General Lazaro Chacon: 'I have never heard of imperialism in this country. In fact, I do not know of any American company having asked for, or having received, anything to which it was not justly entitled. There are no American monopolies and we have been asked for none. All the best works we have are the result of American capital.'

In making an analysis of the very favorable comments that Mr. Crowther was able to receive from the president of the five Central American republics, the reader should keep a few important factors in mind. The president is perhaps the best spokesman for the nation, but he does not speak the mind of the entire nation. These presidents had their political opponents, who perhaps would not have endorsed the official opinion of the Chief Executives. The anti-American demonstrations in Nicaragua during the same

period, largely fostered by the Liberals, surely depicted an attitude that would not have been in agreement with the words of President Diaz.

One must also remember that some of these men quoted, notably Barahona of Honduras and Diaz of Nicaragua, had been able to maintain political order in their respective countries due to the presence or proximity of American marines. Had Nicaragua, for example, not been occupied at that very time by American marines, it is doubtful whether the government of Diaz would have been very stable. It appears obvious that some of these men did not want to be critical of the government that was assisting them to retain their own positions.

These men knew that American approval or disapproval of their governments could mean their economic and political disappearance or survival, so it is not surprising to hear them give favorable comments. Within the character of the Latin American there also is to be found a deeply entrenched courtesy. This is to be admired by North Americans, who so many times lack it. However, as a result of this element, it is often difficult for a North American to secure response from a Latin American that would openly be critical of North American policy. Their courtesy tends to make it difficult to do so. Basically they may be critical and may not like a certain situation and feel it

very keenly, but to state the objectionable facts directly to the individual involved is another matter.

Certainly if the United States has been imperialistic, it should be obvious that her imperialism was of a different nature than that of European nations. During the period when the "Spirit of Manifest Destiny" was such a powerful influence, there was talk of America extending her control over all of the North American continent. But the significant fact is that the United States did not do it. At the end of the Mexican War, and again in 1898, had the United States chosen to extend her boundaries down to the Isthmus of Panama, it is doubtful if any European power would have come to these nations' aid, and they were not capable of serious self-defense. Yet the United States refrained. European nations during this period were very active in securing colonies in Africa and in Asia. The results of their imperialism remained with these countries until they were more or less forced to give some of them up, and they did so reluctantly.

True, Cuba, the Philippines and other lands were occupied, but eventually these areas were given their autonomy, and the United States was not forced to grant their freedom. The United States granted liberty when at peak power; it could have for some time easily retained control of whatever areas it chose.

The United States did land marines in different Central American countries on many occasions. In Nicaragua they remained for several years. But said interventions were, as noted earlier, usually carried out at the invitation of the party in power. The marines remained at the request of the legal governments and it is significant to note that eventually they were all withdrawn.

American intervention did bring a semblance of political stability to Central America. For example, Honduras has had 134 revolutions in its 130 year history, but since 1933, there have been none.¹ That was the year American marines left Central America; if they had a part in bringing a greater degree of political order, then history may justify their usage.

It is to be admitted that the methods used by the United States sometimes showed a dearth of understanding in regard to Latin American psychology, but history has shown the United States was not imperialistic for long. The mutual lack of understanding in respect to motives, both north and south of the Rio Grande, has produced much suspicion and difficulty. The paternalistic or benevolent imperialism if one may so call it, had a proper motivation, but

¹"Honduras Election," Time Magazine, LXIV (October 25, 1954), 33.

was carried out without due regard to Latin American dignity or psychology. The author is inclined to agree with the summation by Samuel Flagg Bemis:

The southern neighbors were led to believe that the Monroe Doctrine was only an instrument to fence off the imperialism of Europe from regions which the United States intended to appropriate for itself.

That the United States has been an imperialistic power since 1898 there is no doubt, although that comparatively mild imperialism was tapered off after 1921 and is fully liquidated now. A careful conscientious appraisal of the United States shows, I am convinced, that it was never deep-rooted in the character of the people, that it was essentially a protective imperialism, designed to protect, first the security of the Continental Republic, next the security of the entire New World, against intervention by the imperialistic powers of the Old World. It was, if you will, an imperialism against imperialism. It did not last long and it was not really bad.¹

III. HAVE RECENT POLITICAL POLICIES PROVED MORE ACCEPTABLE?

The withdrawal of American Marines from Nicaragua in 1933 marked the beginning of a new era of more favorable relations between the United States and all of Latin America. Shortly thereafter, Franklin D. Roosevelt developed his famed Latin American "Good Neighbor Policy." This policy is in essence what the United States still has today with perhaps a few favorable additions. Arthur P. Whitaker has declared that the Good Neighbor Policy has "balled forth a

¹Bemis, op. cit., pp. 385-86.

response of Latin American good-will unequaled in history."¹

Dexter Perkins, who has delved deep into Latin American questions, strikes at the very root of the situation and reveals one reason why the recent policies of the United States have been more successful.

Latin Americans do not wish to be dominated: they wish naturally enough, to play a part in the decisions on which common policy is to be based. Should we not, at least, give them an opportunity to do so in case any such problem arose? Would we not indeed be in a stronger position, if we acted under the pressure of a rising public opinion throughout the Americas than if we acted alone.²

The very essence of the Good Neighbor policy lies in the principle of consultation. The nations of the New World are, according to this view, to be treated not only as juridical, but as moral, equals. Policies which relate to this hemisphere are to be forged in common, and not imposed by the United States on the other members of the American community.³

Our adherence to the Rio Agreement, the policy of non-intervention or intervention only as a cooperative effort that is approved by the Pan American community, has brought to the United States a sizable amount of good-will. Latin Americans under this policy are treated as equals. The Monroe Doctrine was despised because it was unilateral.

¹Whitaker, op. cit., p. 158.

²Dexter Perkins, The Evolution of American Policy (New York: Oxford University Press, 1948), pp. 161-162.

³Ibid., p. 171.

The modern method is multi-lateral and any deviation from this policy will cause offense and misunderstanding.

In the spring and early summer of 1954, a serious political crisis developed in Central America. The author was living in Honduras at the time and saw the gravity of the situation. Guatemala was under the control of Jacobo Arbenz, and the United States was of the opinion that his government was controlled by the Communist Party. This later was proved to be correct.¹ At the time, however, the matter was a subject of serious debate in Central America. Many felt that the Arbenz Government was merely a development of nationalistic tendencies that had had courage enough to oppose the desires of the United Fruit Company and the United States Government. Honduras in general championed the cause of Jacobo Arbenz. This sympathy was reflected in the newspaper El Chilio in the issue of June 26, 1954, when it categorically declared, "Not one Honduran worker will fight against Guatemala."²

When the Guatemalan Government received a shipload of arms from a communist nation in Europe, the United States sent to Nicaragua and Honduras a shipment of arms in order

¹The writer saw an abundance of documented proof to this effect a few months later in Guatemala City.

²Editorial in El Chilio (Tegucigalpa, Honduras), June 26, 1954.

to try to maintain a balance of military power in Central America. At the very same time a few American soldiers were sent to Honduras to help train the Honduran army in preparation for a possible invasion from Guatemala. As far as the author could find out there were perhaps twenty-five men in the group and certainly no more than fifty.

Despite the fact that the action had the approval of President Galvez, the arrival of this small group of men and the arms shipments caused quite a sensation in all Honduras. Soon the rumor had covered the country that two thousand American marines had landed at Amapala, a port on the Pacific. Intervention was immediately suspected, so tempers flared.

In blazing headlines El Chilio carried its comments in the issue of May 29, 1954. Here is the translation of the pertinent part:

Today in our beloved nation, as in 1929, Yankee piracy has once again appeared in the land. With the insulting lie of 'defending the democratic institutions,' the neo-conquerors, the sons of Uncle Sam, have come mounted on powerful steel birds to disgrace national sovereignty.

Already the colonizing boot of the Military Pact has tread upon the heart of Honduras. As they have done in the past, they have delivered us into the foreign claws of a Judas. Nevertheless the indomitable spirit of the youth of the land is inspired by the homeric action of that great Nicaraguan patriot, who is made of diamonds--Sandino. Sandino knew how to fight against the imperialists. With hardly a

knife as a weapon, he fought for six years and caused historic defeats. Sandino lives in our hearts today.

We must reject the military pact as conscientious Hondurans. It is leading us into being colonies. We are going into the past.¹

The above editorial is accompanied by two cartoons. The first one depicts the Nicaraguan outlaw, Sandino, who successfully evaded capture by American troops in Nicaragua for six years. He is the one that made the boast of having defeated the Americans in battle. The second cartoon shows a Honduran, with his fist doubled up, standing face to face with Uncle Sam.

After the overthrow of the Arbenz regime by Colonel Carlos Castillio Armas, who invaded Guatemala from Honduras, and who was believed by many to have received aid from the United States, a drastic change in attitude was noted. Arbenz was proved to have been a Communist, and not just a patriotic Guatemalan. Significantly, the United States had not occupied either nation. The Communists had been removed by Central Americans. Victory had been achieved, without the active participation of United States soldiers.

Thirty years earlier the United States had used armed intervention in Central American situations that were almost local in nature. The Guatemalan problem was not a

¹Ibid., May 29, 1954.

local matter, for Communism is an international problem. Nevertheless the United States permitted the matter to be settled under native sponsorship. There was no doubt as to which side was favored by the American State Department, yet we adhered to the non-intervention principle of the Good Neighbor Policy. For the Central Americans the Guatemalan Revolution is a favorable change that has come to United States' foreign policy in Latin America.

When the Americans did not intervene, many newspapers and politicians were rather embarrassed at their false and unflattering accusations of the Yankees. Their predictions had not come true, but yet they were essentially happy that their fears had been ungrounded. The newspaper editors of Honduras have been so embarrassed concerning their rash statements that it proved impossible to secure back issues of the papers that were published during those critical and tense days.

On the basis of personal interviews and other contacts with the citizens of Honduras, the author discovered that almost without exception the people had been opposed to the military intervention of the United States prior to 1933. However, there has been only praise for the conduct of the American Government during the Guatemalan Revolution. Some persons thought that the United States had given equipment and arms to support Castillo Armas, but nevertheless

they were of the opinion that the United States had behaved as a good neighbor and had acted correctly in not directly intervening. To their way of thinking, it is no violation of their dignity for Central Americans to fight each other, even though one side may fight with arms provided by the United States. It would have been an entirely different situation had the United States landed American marines to overthrow the Arbenz Government. With the landing of the first Yankee soldier, there would have been cries of imperialism heard from numerous sectors of Latin America. The practice of the United States of not using armed force in Central America has proved to be a popular policy with the people of that area.

IV. WHAT HAS BEEN THE EFFECT OF THE UNITED FRUIT COMPANY IN CENTRAL AMERICA?

Any objective view of the situation must concede that the United Fruit Company has brought many benefits to Middle America. The frequent accusation that American investment in Central America has brought profit and advantage only to the American investors is simply untrue. The United Fruit Company has brought to Central America a better than average wage for the worker, great progress in its health and medical programs, and has developed modern means of transportation and communication. The advancement of agriculture and the

diversification of crops has been introduced. Industry has been created which perhaps could not have developed independent of foreign capital, and the nations in which the Company operates receive a major source of income from the operations of the American corporation.

Yet without trying to minimize the favorable contributions of the United Fruit Company, a realistic appraisal of the facts must also recognize the problems that have been created as a result of the Company's development in Central America. Anyone who has had an extended visit in Central America soon discovers that the fruit company is not held in high esteem despite its many benevolent characteristics. This dislike is the result of many circumstances.

The countries of Central America are small--very small, and the United Fruit Company is large--very large. The fruit company therefore is feared because of its great size. The wealth of the United Fruit Company is greater than the capital of any one of the Central American nations in which it operates.¹ In the nations where it is established, the Company controls the major portion of the railroads, the steamship lines, and the means of communication. United Fruit has the largest payroll in Guatemala, Honduras, and Costa Rica. These three nations receive from the Company a

¹Perkins, op. cit., pp. 183-186.

major portion of their income in the form of taxes, assessments, and other financial remuneration. The size of the Company and the scope of its operations give it a powerful voice in the economy of each country. These small nations very well know that the economic life of their land is in the hands of United Fruit. For that reason they have been called the "Banana Republics."

John Gunther has said of Honduras:

Honduras is the banana republic par excellence, and it is a little more or less than a preserve of the United Fruit Company. About 30 percent of the company's banana lands--valued at \$45,000,000--are in Honduras. The company controls ports, harbors, newspapers, plantations. There are no taxes in Honduras; revenue comes from customs and United Fruit. The government budget (only about \$6,000,000) is usually out of balance, and the company helps to make up the deficit. Recently it advanced \$300,000 to meet government pay rolls. Honduras is perpetually in debt.¹

Well publicized statements such as Gunther's are a source of embarrassment to these small countries. They want to be able to picture themselves as sovereign, independent nations. Even though it may be true, it is extremely humiliating for the Central Americas to be known as "Banana Republics" or "a preserve of the United Fruit Company." As a consequence there is a natural dislike for the organization that is responsible for their economic dependence, and

¹John Gunther, Inside Latin America (New York: Harper and Brothers, 1941), p. 144.

also a growing desire to throw off the power of the fruit company to show the world that they can stand on their own feet. National pride rejects economic dependence on a foreign firm.

Experience has also taught the Central Americans that the United Fruit Company knows how to use its great power and size to secure the desired aims, even at the expense of the nation involved. The United Fruit Company has perfected an economic tactic to use against countries that are not ready to comply with the demands of the firm. For example, when the Company and Guatemala could not come to terms, the United Fruit Company chose to curtail its ship traffic to and from Guatemala.¹ Guatemala soon felt the lack of American dollars, (and United Fruit was thus able to apply effective economic pressure). Situations such as this only magnify economic dependence upon the United Fruit Company and create greater feeling of resentment. In describing the economic dependence of Honduras upon United Fruit, Latin Americans have been known to graphically declare, "The economy of Honduras is standing upon a banana peel."

The United Fruit Company is the symbol of Yankee

¹"Bananas and Politics," The New Republic, CXXVI (January 28, 1952), 7.

imperialism in Central America.¹ This is true because of some rather unfortunate circumstances. One concrete example has been given.

The United Fruit Company which prefers to do business with the weak republics of Central America--its dealings with the British Islands and the American possessions are negligible--suddenly found itself confronted by a man (Juan Jose Arevalo in Guatemala) who said 'If I am elected president, I shall see that our workers are treated with the consideration shown to foreigners.' United Fruit translated these words into 'Arevalo is a Communist.' United States Ambassador, Richard G. Patterson, Jr., was a man not over-endowed with tact, and as between Guatemala and the United Fruit Company, he was unequivocally with the latter. 'Unofficially, Mr. President,' he said to Mr. Arevalo one day, 'I want you to know that as far as I personally am concerned your Government will never get a dime from my Government unless you cease the persecution of American business.' In turn, Arevalo said to Samuel Guy Inman, who reported it in 'A New Day in Guatemala' (1951): 'You do not have an ambassador of the United States here, but a representative of the United Fruit.'²

As noted in the above illustration, it is a very common belief that the United Fruit Company is directly supported by the United States Government. It has been very easy for the Central Americans to accuse the United States Government of political imperialisms, charge the United Fruit Company with economic imperialism, and then reach the conclusion that the two groups have worked

¹German Arciniegas, The State of Latin America (New York: Alfred A. Knopf, 1952), p. 285.

²Ibid., p. 295.

in close cooperation to bring about the domination of the Middle American nations. Inasmuch as the courts in the United States have not forced the United Fruit Company to break up its so-called monopoly in Central America, while at the same time corporations working within the United States have been broken down into smaller groups upon conviction of being monopolies, the Central Americans have been quick to assume that the United Fruit Company is favored and supported by the United States Government. If the Justice Department of the United States is successful in its present attempt to reduce the size of the United Fruit, then the Central Americans will be less inclined to feel that the United States Government sponsors the Company.

The United Fruit Company has realized that the general public reaction to its presence in Central America has not been favorable, so it has conducted a public relations campaign to try to present to the natives the positive results of the firm's presence. Full-page ads are purchased in magazines such as Selecciones (Reader's Digest in Spanish), Life en Espanol (Life in Spanish), and in newspapers. These paid advertisements usually depict a native engaged in some type of useful occupation such as a locomotive engineer, a radio operator, a surveyor, a nurse, a school teacher, or in some other attractive position. The Company is very clear in pointing out that these individuals are in such favored

occupations because they have been employed by the United Fruit Company. Native reaction to these adds is too often entirely negative. The natives dislike being reminded constantly of the fact that the United Fruit Company, a foreign firm, had done for them many things that they should have done for themselves. This injures their pride. The people fully realize that their countries are backward and lack modern methods, but dislike the Company when it tries to show what the Company has done to improve their life. Paternalism is again despised in this respect. In no way do they want to have someone saying repeatedly, "Look what we have done for you. You would have been in a much worse condition had we not come to help you."

The author conducted a personal interview with a man who had been employed by the United Fruit Company for fifteen years in Guatemala. He is a Honduran by birth, having had an American father and a Honduran mother. This man was educated in the United States, was graduated from Columbia University, and was wounded in action as he served with the American army during the First World War. He was very eager to express his love for the United States, but was just as eager to denounce the United Fruit Company. Personally he felt that he had no reason to complain as a result of his own affiliation with the Company, for he felt that he had been treated in a fair and a just manner, but he was very

vehement in denouncing United Fruit in its relationship with the average Central American. It may be that he was favored due to the fact of having an American name and being able to speak English correctly.

Frank Williams¹ listed the major complaints that the average Central American has in respect to the fruit company. Similar complaints are listed in detail and declared to be absolutely valid in at least two books published by Hondurans. The two volumes Miseria y Despojo en Centroamerica² and Prision Verde³ are believed to be slightly exaggerated, but nevertheless they do reflect the major complaints that are very prevalent in Central America, and especially in Honduras. Conditions such as described by Mr. Williams are also in part cited in Kepner and Soothill's book, The Banana Empire.⁴

Mr. Williams declared that the basic reason for a dislike of United Fruit Company is due to the way in which the firm secured its present land holdings. Frequently when the Company desired to purchase a certain section of land ~~it~~ encountered local land owners who did not wish to

¹This is a fictitious name.

²Jose Gorge Callejas, Miseria y Despojo en Centro-america (Mexico City: Editorial Jus, 1954).

³Ramon Amaya Amador, Prision Verde, (Mexico City: Editorial Latina, 1950).

⁴Charles David Kepner, and Jay Henry Soothill, The Banana Empire (New York: The Vanguard Press, 1935).

sell, the Company then offered to purchase the bananas that the man would produce, inasmuch as it was banana land. Several months later the Company would state that on a certain date they would purchase from the man a thousand stems of bananas. Of course the native was eager to reap his profit, so on the established date he would have the fruit awaiting Company transportation. However, much to the farmer's dismay, he learned that 90% of his bananas were rejected as inferior. The Company would pay him for one-hundred stems and the farmer would be left with nine hundred stems on his hands and no one to buy them, for the fruit company was the only purchaser of bananas in such large quantities. Many men had been employed by the farmer in the production of his crop and they had to be paid. The farmer had lost his investment and often became literally bankrupt. Immediately thereafter a fruit company representative would call upon the man and offer to buy his land, and emphasize the fact that it was evident that he couldn't make a living by raising bananas on his own as he didn't know how. Usually, due to his financial losses, the man would yield and sell his land.

Mr. Williams was very prompt in stating that in recent years conditions such as described above no longer exist, yet the resentment and distrust still remain among the natives. Mr. Williams elaborated further:

It is true, that the United Fruit Company has brought many new jobs and positions to our nations, but a national can advance so far and no farther. It is true that the Company pays the Hondurans more than any other firm, but we don't like the racial discrimination that is shown. For example, I know young Honduran engineer that has been working for the Company twelve years. Recently a young North American arrived from the United States and he was placed with the Honduran to work. The American knew little Spanish and apparently had never seen a banana plant before. The Honduran taught the American what he knew about the operation of the work. That was several months ago. Now the American is the supervisor over the Honduran and receives twice the wages. We Hondurans can't understand why the Americans are constantly advanced over us. Even in the hospitals it is the same. We appreciate the medical work, but we can't understand why the Americans receive private rooms and special treatment when the Hondurans are treated in wards.

In response to the question "Do you think Central America is better-off because of the operations of United Fruit in your area?" he replied:

Let me answer your question by asking you one. Do you think the North American Indians are better-off because of the arrival of the Europeans? Yes, the Indian on the reservation may have food, a car, even a television set, but is he happy? I think we all realize that he may have been happier had he been left alone. That is the way we feel. The Company has brought us a measure of civilization, but we are not happy.

The comparison made by Mr. Williams is hardly valid, but it does reflect the idea that some Central Americans feel that they would have been happier had the United Fruit Company not come to their area.

"Do you feel that Honduras has been advanced economically by the United Fruit Company?"

Not necessarily. Just look at Salvador, our next door neighbor. The United Fruit Company does not operate there, and yet it is one of the most advanced countries of Latin America. I think we would have been more advanced had we been left alone.

"How has the United Fruit Company affected the Central Americans in their attitude toward North Americans?"

We have respect for the United States as a nation. Personally I love it. It was my father's nation and I fought for it in 1918. Nevertheless, the average Honduran has no use for the North American. This would be the opinion of most all Central Americans. Take my daughter for example. I tried to teach her English, but she despised even the sound of it. She hated the Americans. I tried to show her that she was one-quarter American, and should know more about American life, but she rebelled. Her hatred was displayed even in the presence of my American friends. I took her to the United States and she received her high school and college training. Now she loves the American people. When she got away from Central America and the employees of United Fruit, her ideas changed. We don't like the Americans in Central America because they look down on us and refuse to treat us as equals.

In the late spring of 1954, a strike was declared against the United Fruit Company and its subsidiaries in Honduras. The strike lasted for many weeks. The people suffered financially and the Company lost millions of dollars. The workers received only a very small percentage of that which they asked, and it may be that that is all that was anticipated. However, the significant point is found in the way the people of the nation backed the strikers. Funds were solicited and received from all sections of the nation to aid them in their struggle. Public

sentiment urged a settlement in the striker's favor.

El Chilio in the edition of May 29, 1954, (the same edition that boldly condemned the prospect of American intervention in Honduras) was filled with congratulatory letters and comments for the men on strike. A sample has been selected.

I am completely filled with patriotic joy, a joy that I have never before experienced . . . You are writing one of the most transcendental and historic pages of contemporary Central American history.

The same newspaper again stated on June 12,

We remember with evil memories the establishment of the United Fruit Company . . . They have become the political winds. They came to exploit in a tremendous way our national resources and to exploit the Honduran laborers. They now possess the best lands of our own North Coast . . . Honduras has started her fight for liberty.

Other Honduran newspapers, notably El Pueblo, El Cronista and La Epoca expressed similar approval and encouragement for those that were fighting against La Compania and La United.

V. WHAT IS THE OPINION OF THE NATIVE CENTRAL AMERICAN CONCERNING THE YANKEE?

While the author was in the midst of the writing of this thesis, he had the opportunity to make again a visit to Central America--to the Republic of Honduras. While there he had the opportunity of conducting interviews with

fifteen different individuals on the question of the Central American's attitude toward the Yankee. In the United States he has had similar interviews with three other residents of Central America.

The problem was discussed with both North Americans and natives. It was desired to learn how the Americans themselves had been treated and what their opinions were concerning the native reaction to their residence in Central America. Then he secured first hand a few opinions directly from the Hondurans.

Ten American citizens residing in Honduras were questioned. In occupation they varied from a grade-school teacher that is married to a Honduran, to one of the highest officials in the United States Embassy. All but the Embassy official have had a very direct contact with the natives, that is, they have not lived in an American colony but have lived in their own homes among the Hondurans. The average length of time spent in Central America by those questioned was twelve years. All of them did not feel that they could offer an opinion on each question asked.

When questioned as to whether they thought the opinion toward the Yankee had improved or declined during their residence in Central America, six definitely stated that it had declined. Two felt that it had improved. One of the latter came to Honduras in 1934, which was just after the

periods of intervention, so she felt the Americans are now more highly respected than at the time of her arrival. The other one that gave a positive answer was an official of the American Embassy. He was sold on present policies and felt that they were achieving desirable results.

It is interesting to note that the natives of Central America have felt that American relations with their countries have improved in recent years, whereas the majority of the American citizens of the same area felt that the native opinion of the Yankee has declined. It may be that the native respects the policies and principles of the United States, but have a growing tendency to want Americans to stay home and have Honduras for the Hondurans.

When asked to suggest reasons why the Yankee was disliked, five of the Americans stated that in the eyes of the native the American had a too superior attitude, three felt that the native thought that Americans were exploiting the people, and one categorically placed the blame on the United Fruit Company.

Six of the eight giving an answer stated that they had never been discriminated against as a North American. One of these had lived in Central America twenty-eight years without having any negative reaction to her nationality. The two that had felt some type of discrimination could give only one illustration each, and both events transpired during a

time when the United Fruit Company was having labor difficulties. (None of those questioned were employed by United Fruit.) All questioned were of the opinion that they have usually been respected as a result of being an American.

Each of the Americans was asked to state an opinion as to whether he felt the United States-sponsored plan of mutual assistance to Central America (commonly known as Point Four) was proving successful. Eight felt the plan was the best way to assist the Central Americans and also felt that it was a very acceptable way of improving relations. One believed that Point Four was looked upon by the natives as another way in which the Americans could display their superiority. Another was of the opinion that "the more we help them, the more they will dislike us." All of those questioned felt that Point Four was helping the countries agriculturally, educationally, and socially, and believed that almost all of the natives were appreciative of the assistance.

It appears that the Central Americans appreciate the mutual assistance of the United States Government, but dislike American charity. Nearly every American praised Point Four but were unanimous in expressing their disfavor of the American organization known as C A R E. Tens of thousands of C A R E food packages were distributed in Honduras in recent months, but it was generally felt that little good-will

was created. The prominent reason for the criticism was due to the lack of organization in the actual distribution of the free packages. It was reported that very frequently those who had no need received the food whereas the people in need were omitted. Near riots resulted and hard feeling was created.

As the natives were interviewed, a wider difference of opinion was found than among the American residents. The nationals were asked a few questions that the Americans were not requested to answer. The individuals questioned represented various occupations and social categories. Included in the group were a shoemaker, a senator, a recent university graduate, a farmer, a miner, a minister, an educational supervisor, and a former employee of the United Fruit Company. Only one man, the shoemaker, believed that the United States had had the right to intervene in Central America during the period before 1933. However, about one-half of them felt that the end result was beneficial for the nation. All of them but the recent university graduate were of the opinion that the United States could intervene in Central American politics of an international nature if approval were given by the other Central American countries. However, all but the shoemaker strongly urged that the United States stay out of internal politics and let the nationals of the country concerned handle the local problems. All felt that

the Point Four Program was a very acceptable way for the United States to assist Central America, but those who had had a direct contact with C A R E felt it a poor means of improving relations between the two areas. Again the chief criticism of C A R E was the lack of organization to bring about a systematic means of distribution. The recent university graduate was the only one to categorically state that the native opinion of the American was worse today than it was twenty-five years ago.

In response to the question, "What is the opinion of the average Central American concerning the Yankee?" the following answers were given:

The Shoemaker: We want more American assistance. The United States never does anything bad. They are needed to help us to secure our liberty. Under the present government we have no liberty. The United States can help us.

The former United Fruit Company employee: The average Honduran has no use for the American. They are hated. However, it is better than it used to be.

The recent university graduate: Among the students of the University of Honduras, the United States is looked upon with disfavor. They resent any action of the American Government in Central America. The Yankee is despised. This is true in the capital and in the sections where the fruit companies operate. In the small towns and among the poorer people, the American is highly respected and admired. They make us feel inferior and we dislike it.

The senator: The average Honduran loves the American. It is only when he is stirred up by some minority group that he may appear otherwise and this attitude soon passes.

The educational supervisor: In the big towns they hate him, but elsewhere he is looked up to. Most everyone is against the United Fruit Company. Americans are too superior. They look down on us.

The miner: The man who has worked for the Rosario Mining Company feels that Americans are out to exploit the country. They don't treat us as humans. They make promises to get us to work and then don't keep them. The law doesn't punish them. They can get by with anything.

The farmer: Many see the American as an exploiter. He is seen as one who is in our nation only to secure money.

The Protestant minister: The moral behavior of the American citizen in Central America has handicapped his influence. However, almost all North Americans are greatly respected. They are admired. Here in the capital, especially among the students, and among those with the United, I have noted an anti-American spirit, but on the whole we like the Americans.

In making a comparison of the response secured from both the Americans and the nationals a few basic conclusions have been drawn. The intervention of the United States in the internal political affairs of the Central American republics is condemned as past action and is definitely not wanted in the future. North Americans are disliked for two major reasons: they apparently display a spirit of superiority and are considered to be exploiters. The Point Four Program is considered an acceptable way for the United States to assist Central America, but the C A R E program is looked upon with disfavor largely because of the lack of organization in the distribution of the food packages, and because

of the unsuitable character of the food they contain.

From the interviews it appears that there is an anti-American feeling in Central America, but it seems to be centered in the large cities, especially among the university students, and among those that have had direct contact with American firms such as the United Fruit Company. Those that are not living under the above influence apparently have a high respect for the North Americans. Under usual circumstances the Yankee is shown great courtesy. When he is discriminated against, it is usually because of a tense situation that has arisen between the United Fruit Company and its workers, or when a threat of American intervention is feared.

VI. THE DEVELOPMENT OF NATIONALISM IN CENTRAL AMERICA

Careful observers of current history are very much aware of the fact that nationalism is a growing force in the world today. Central America is no exception to the trend. As has so often been true in the history of modern nations, the spirit of nationalism is much more pronounced among the university students and youth organizations. The Central Americans are painfully acquainted with the realization that their nations are backward, and inasmuch as their politics and economies have often been controlled by foreign elements, there exists the tendency to place the blame for their

backwardness upon the foreigners and ~~to~~ want them expelled from the country.

Due to the fact that the largest foreign element in Central America is represented by United States citizens, the spirit of nationalism has largely been focused upon the gringo. However, the author discovered that even though nearly all Americans living in that sector are of the belief that nationalism is definitely growing stronger, still the Americans feel that this nationalistic tendency is not so much a result of foreign interference as it is a natural development.

Nationalism has created a growing desire to take over the operation of foreign firms that are operating in Central America. A very striking example of this tendency was to be found in Costa Rica in 1954. Before the United Fruit Company was able to negotiate a new agreement that was acceptable to Costa Rica, President Jose Figueres presented a bold plan that readily reflected the tendency toward the local control of business enterprise. Figueres advocated the sale of the United Fruit Company lands to Costa Ricans, but desired that the distribution of the harvested bananas be left in the hands of the American corporation. Time reported the Figueres' idea as follows:

President Figueres chose to outline his plan in a 2,000 word letter to United States' Ambassador Robert C. Hill. Terms of the existing contract, he said, are fair and just only in the spirit of 50 years ago, when banana cultivation was a little-known and risky venture. Now Costa Ricans are capable of producing commercial crops, and he proposed to buy out the company plantations--housing, school, hospitals, machinery, servicing equipment and all. His government would resell the plantation properties to Costa Ricans, but would keep and run the schools and hospitals.

Details of the transaction, including the price of the properties and terms of payment would be worked out in a friendly spirit with United Fruit, he emphasized, especially since the sale would have to be amortized over a long period of credit from the company. Figueres reported that he had already outlined his plan to United Fruit's board chairman, Thomas Jefferson Coolidge, when Coolidge visited San Jose last month. 'I explicitly told Coolidge,' the President said, 'that it is not the intention of my government to nationalize the industry by expropriation or any violent measure . . . The sale plan is a simple suggestion to sow the idea in the minds of the directors . . .'

President Figueres settled for much less than his suggested plan, for his government received only the schools and the hospitals. United Fruit now pays a thirty percent corporation tax, but all the property is still owned and operated by the Company. Nevertheless, in all Central American nations there lies the hope that they soon will be able to have as their very own the foreign firms. It is doubtful if the nationals would be able to manage these

¹Coata Rica Buy United Fruit?" Time, LXIII (January 4, 1954), 26.

industries as well as they are now operated, but it is believed that the people would be much more content under a native sponsorship, and the financial profits secured would in a much larger measure be retained within the countries.

The growing spirit of nationalism at times has been much more violent than that described above. During the strike against the United Fruit Company in Honduras in 1954, the sentiment against this foreign corporation was so strong that mobs of natives paraded the streets of San Pedro Sula, which is the center of Company activity, and virtually declared their hate for the Company. "Death to the Company and the Gringo" was a frequent cry. The American Embassy alerted the American citizens to be ready for evacuation. Armed soldiers were required to control similar demonstrations among the university students of Tegucigalpa.

The writer believes that the Central Americans admire the Yankee as a man, but their nationalistic tendencies have caused them to resent any foreign power that prevents them from doing as they desire in their own land. Inasmuch as the United Fruit Company is the major commercial power in Central America, this organization is the chief target of criticism. It is American-operated and thus the Yankee shares the criticism.

The growth of nationalism is a matter that should be carefully observed in the Central American area, for Communism frequently has used this channel to secure its desired footholds.

Anti-United States feeling--whether appearing as reasoned opposition to 'Yankee imperialism' or unreasoned anti-yanguismo--is rampant.

This was not created by Communist propaganda, and it is not the monopoly of the Communists; it stems from both real and fancied grievances, some of them historical and is manifested by Latin Americans of all political persuasions and walks of life. It is most pronounced among the educated classes . . .

Communist policy is to fan the flames of nationalism even higher.¹

The people of Central America are opposed to Communism as such, but an exaggerated spirit of nationalism can create a fertile field in which Communism can develop. The Arbenz Government in Guatemala is a vivid illustration of this fact. Castillo Armas overthrew the Communist rulers, but the spirit of nationalism remains.

¹Daniel James, "Where Communism Is Strong and Why?" The New Republic, CXXXI (December 13, 1954), 9-12.

CHAPTER V

CONCLUSIONS AND RECOMMENDATIONS

In general, the response in Central America to the foreign policy of the United States has been a negative one. That policy has been disliked because until recently it has been largely a unilateral proposition. Central American citizens, understandably enough, have failed to appreciate the paternalism or benevolent motivation of their huge neighbor to the north. American intervention in the internal affairs of their small republics has been an affront to their dignity--a matter not easily forgotten. Nevertheless, the advent of the Good Neighbor policy, with its accompanying adherence to the principle of non-intervention except by multilateral agreements, is commencing to show a marked improvement in foreign relations.

As has been noted, American governmental intervention in Central America was imperialism, at any rate of a mild variety. In at least two significant respects, however, it was distinctly different from the colonial imperialism then in vogue among European powers. For one thing, American intervention was only temporary, and at no time envisaged permanent--or even long-term--occupation of the country affected. Secondly, the intervention was not for the primary purpose of obtaining political or even military or economic

control, but chiefly to secure peace and stability, and to improve conditions for the populations of the areas involved. A considerable measure of order, security and progress (both political and economic) did result from American action. Such misunderstandings as occurred largely resulted from cultural differences and an inadequate comprehension of the motives involved. Essentially, the United States sincerely desired to be of help, but because its representatives were foreigners the assistance was suspected and not fully appreciated.

The United Fruit Company is the symbol of Yankee economic imperialism. It is viewed with some disfavor by most of the nationals who have been associated with it. Its gigantic size and power make it an object of fear and mistrust. Many persons feel it is supported by the American government, and they resent the times it has meddled in local politics. While the Company undeniably has brought civilizing elements into Central America, the evidences of racial discrimination it has provided have actually added to its unpopularity. Many of its positive accomplishments have thereby been undone, insofar as the effect upon the Central American mind is concerned. The United States Government would be much more highly respected in Central America if the Justice Department were to condemn United Fruit as a monopoly and curtail its size and power.

Admittedly, however, it is quite doubtful if a considerable number of smaller firms could be as successful in producing bananas for the export market.

An anti-American feeling exists in Central America, but it is largely confined to the large cities, the university groups, and those having contact with the United Fruit Company or its subsidiaries. This anti-yanguismo is fanned by the fires of nationalism. At times it results in emotional demonstrations. Ordinary rural dwellers living outside the Fruit Company areas tend to admire the United States and its people. This group is in the majority, but the growth of nationalism is evident almost everywhere.

The United States can very greatly improve its position in Central America if it strictly adheres to the principle of non-intervention in the national affairs of these small republics. If at any time intervention should appear necessary, it should only be attempted with the consent and cooperation of the other nations of the Pan-American community. This method is acceptable according to the Rio agreement. However, American marines should not be used if it can be avoided, when and if intervention should ever become a necessity. It would be much more favorable for American prestige if, during these periods of emergency, Latin American soldiers were used but with North American support.

Since Point Four operates in cooperation with local governments, the United States can best help the nations of this region by continuing with this Mutual Assistance Program. Unless caution is employed, however, to utilize as many nationals as possible in the dissemination of technical information and modern methods, a negative reaction may develop against what natives would call Yankee paternalism or a display of Yankee superiority. Point Four is widely accepted because it is a plan in which the United States shares with Central America. Both parties help pay for the program. It is not charity. Obvious charity, such as C A R E packages, is felt to be somewhat demeaning and is much less appreciated.

Loans and grants should continue to be made to these nations so that roads, railroads and other means of communication may be developed. The lack of these essentials of modern society is tragic, and when it is remedied the general progress of the nations will be greatly advanced.

The United States State Department should not send diplomats to Central America unless they have had an extended and intensive training in the field of Latin American psychology and culture. One of the major sources of difficulty has been a lack of understanding. The Latin American cannot be quickly understood, and if a greater degree of mutual understanding is to be achieved, only those acquainted with

Latin Americans should attempt to solve their problems. The author has been greatly shocked at the lack of comprehension so evident in the actions of some in high authority at his own American Embassy in Honduras. Few could speak Spanish and thus had no way of learning from the people directly. Many were novices at the job and it was easy to see why mistakes are made.

Student exchange should be facilitated. The author has had a direct contact with many Central Americans studying in the United States, and all have been favorably impressed with the American people. Upon their return to Central America, they will assist in improving relations. The knowledge secured in the United States will prove a valuable asset to the advancement of their countries as well.

Dana G. Munro gives a valuable suggestion as to how the United States can help Central America by a measure of control over the American corporations that operate there.

It is highly desirable that the United States should exercise a measure of control over the operations not only of American bankers but of other American corporations which do business in the Isthmus. The economic development of the last twenty-five years has created a situation in which some of the five republics are almost powerless to protect themselves against the oppression and greed of foreign interests, for companies are able to bring to the support of their projects financial resources which far exceed those of the local government or of any group of natives. Some of these concerns, by the corruption of officials or by the unscrupulous use of their control of transportation facilities, have obtained special privileges which

have been an obstacle to the legitimate business of other foreigners and to the development of the community as a whole. Moreover, serious international difficulties have not infrequently arisen when subsequent governments have attempted to annul or to modify these concessions. Only a more careful supervision of the contracts entered into by American concerns with native officials, who are not always above temptation and who are in any event rarely in a position to ascertain the financial responsibility of the concerns with which they are dealing or the ultimate effects of the privileges which are asked, can insure the United States against the possibility of being forced to use its power to protect unscrupulous speculators and predatory corporations in the exercise of right which, even though legally acquired, are in many cases extremely unfair and injurious to the countries which have granted them.¹

In addition all business men should constantly remember that they are in Central America as the guests of those nations and should act as such. At no time should they ask the small government to grant to them concessions that would not be granted to a native of that country.

Existing evidence indicates that the United Fruit Company is currently attempting to improve its public relations with respect to Central America. Recent contracts have been much more favorable to the nations in which the Company operates. Its varied social endeavors are helping these nations, but the fact remains that the United Fruit Company is not a charitable organization--it is in business to secure a profit for its stockholders. Existing relations

¹Dana G. Munro, The Five Republics of Central America (New York: Oxford University Press, 1918), p. 313.

may be improved by the complete elimination of racial discrimination and by giving to nationals many more places of authority in the operation of the organization. At all odds, the Company should avoid any suggestion of paternalism in the conduct of its social services.

Basically, Central Americans are a peace-loving people. Even their scores of revolutions have resulted from the failure of existing governments to bring them the peace and stability they long for. Democracy is not a simple or an easy process at best. Previous to their independence from Spain these peoples had had no experience in self-government; a high rate of illiteracy and the lack of an adequate educational system have made the instillation of democratic principles extremely difficult. Yet progress has been made, and is continuing. Political stability is coming much closer to reality. Mutual assistance from the United States is enabling these countries to build a firmer basis for their national economies, and the result is improving conditions throughout the entire society. Surely, with the improvements in education and living standards, we may hope that the population will become more settled and stable--and approach the goals of peace and prosperity that represent the legitimate aspirations of all mankind.

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